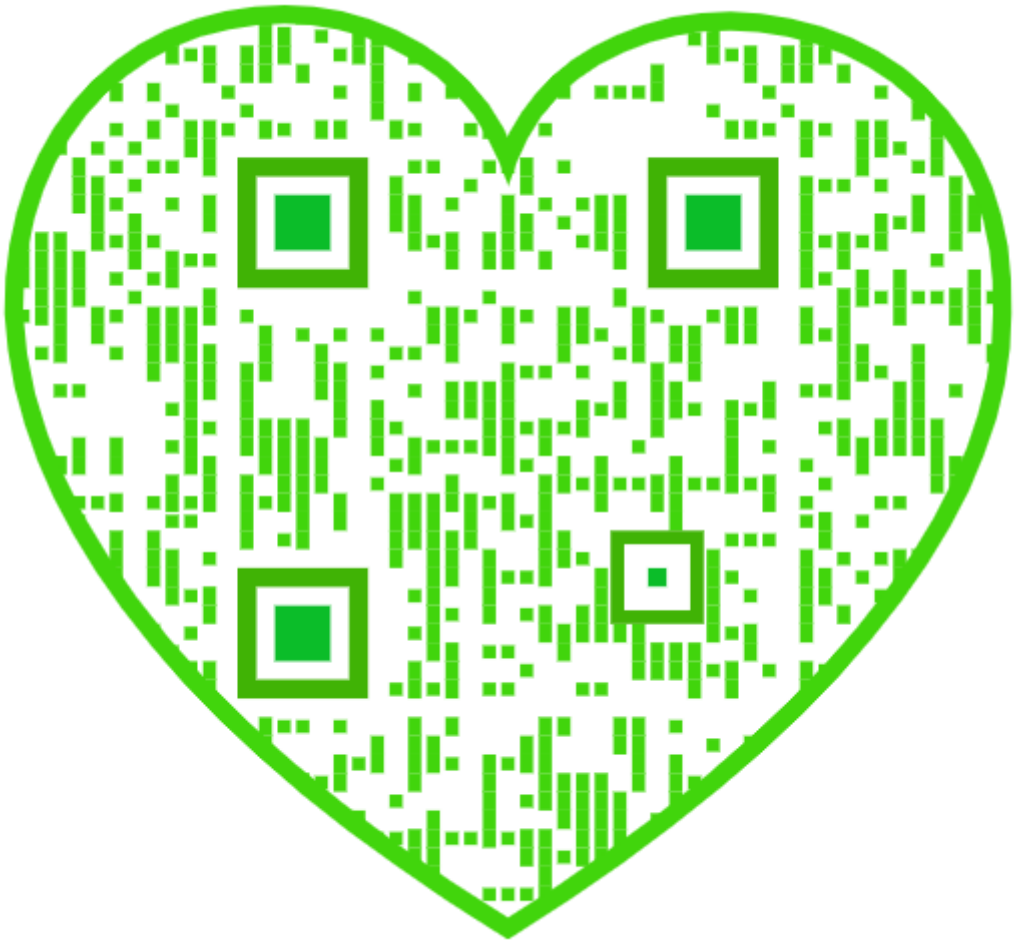

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The Swedish Banking System

BY

A. W. FLUX

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PREFATORY NOTE.

In the following pages an attempt is made to trace so much of the history of banking in Sweden as may serve to throw light on the way in which the system of note issues by numerous privileged banks was developed, and thus enable the problem presented by the centralization of those issues, the solution of which has been but recently achieved, to be appreciated. In tracing this history it has been judged best to assume that the reader will care comparatively little about the specification of the details of the constitutional and administrative arrangements of Sweden, or about place names, or the names of the men who have been leaders in the developments traced. It may, however, be convenient to state here that Sweden has an area of about 173,000 square miles, or about one-seventeenth part of that of the United States, while its population in 1900 was 5,136,000, or about one-fifteenth of that of the continental United States, or, otherwise expressed, that its area slightly exceeds the combined areas of Michigan, Wisconsin, and Illinois, while its population in 1900 was about five-ninths of that of these three States. At the end of 1908 the population of Sweden was somewhat under 5,500,000, having increased from about 1,760,000 in 1750, 2,350,000 in 1880, and 3,480,000 in 1850 to the figure named.

The population of the towns amounted to very nearly a quarter of the total population in 1908, having increased to this proportion from about 10 per cent in 1850 and slightly under 10 per cent through nearly the whole of the first half of the nineteenth century. These broad facts as to the area and population and the distribution of the latter between towns and rural districts may serve to enable the magnitude of the banking operations carried on to be judged more accurately than the simple statement of the sums in dollars which represent those operations.

The account here given of Swedish banking has been derived almost entirely from Swedish sources, the works which have been found most useful for the period ending a quarter of a century ago being Carl M. Rosenberg's "*Handbok i Bankväsendet*" and the report, issued in 1883, of a committee appointed by the King to consider what changes in bank organization might be necessary. This report contains a valuable summary of the history of the Bank of Sweden and its dependent organizations and of the numerous schemes which were discussed by the Swedish Parliament for reforming the banking system. Prof. J. A. Leffler's monograph, "*Die Schwedischen Zettelbanken*," second edition, 1879, also contains a brief outline of the history of banking in Sweden. The writer has not succeeded in procuring a copy of the Swedish edition of this monograph. In addition to the report of the committee of 1883 just mentioned, a number of other reports of committees, the text of the statutes, and official statistical publications have been utilized in preparing the following chapters.

Considerable help has been obtained from the work entitled "*Bankpolitik*," by Prof. W. Scharling, of Copenhagen, and from the articles on banking in the Scandinavian countries contributed by the same author to Conrad's "*Handwörterbuch der Staatswissenschaften.*" A list of works consulted, including such accounts in the English language as could be found, is given on page 9.

The writer desires to acknowledge gratefully the assistance in pursuing his inquiries received from the United States minister in Stockholm, Mr. Charles H. Graves, and also to acknowledge in a special degree the courteous assistance rendered him by Herr C. A. Weber, one of the managing directors of the Bank of Sweden, and by other Swedish bankers who kindly accorded him interviews.

WEYBRIDGE, SURREY, *December, 1909.*

NOTE.—In accordance with conventions concluded between Denmark, Norway, and Sweden, the coins of all the three countries have legal currency in each of them. Since the adoption of the gold standard, the currency unit has been called a krone (*pl.* kroner) in Norway and Denmark and a krona (*pl.* kronor) in Sweden, equivalent in United States currency to 26.8 cents.

In each case the present unit represents one-fourth of the old speciesdaler.

Previous to the adoption of the modern currency unit there had been used in Sweden a unit called the riksdaler riksmynt (currency daler) of the same silver content as the krona. Before 1855 the riksdaler banco (bank daler) had been the unit in general use. Its value was one and one-half times the currency daler, and had been fixed in 1830 at 37½ per cent of the speciesdaler. Specie payments at this rate were resumed in 1834.

In Norway and Denmark the currency daler had been the rigsbankdaler, equivalent after the resumption of specie payments (in 1842 in Norway and in 1845 in Denmark) to one-half the speciesdaler. The new unit of a krone was thus one-half the value of the currency unit previously in use in Norway and Denmark.

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Lagar, Instruktioner och Reglemente för Förvaltningen af Sveriges Riksbank. Riksdagen. 1907. (Contains the regulations of the Parliament for the conduct of the business of the Riksbank.)

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Öfversikt af Sveriges Riksbanks Ställning. (Annual Statement of Accounts of the Riksbank.)

Öfversikt utvisande Riksbankens Tillgångar och Skulder. (Monthly Statement of Accounts of the Riksbank.)

Öfversikt af de solidariska bankbolagens och bankaktiebolagens bokslut. (Annual Summary of Capital and Profit and Loss Accounts for Banks with Unlimited and with Limited Liability. The title of this publication was formerly somewhat different, but the scope was the same.)

Sammandrag af de solidariska bankbolagens och bankaktiebolagens uppgifter. (Monthly Statement of Accounts of the Banks.)

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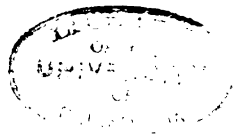
And a number of pamphlets discussing the questions relating to reforms of the laws relating to banking, but contributing nothing directly to the facts set forth in this volume.



THE SWEDISH BANKING SYSTEM WITH SPECIAL REFERENCE TO THE ISSUE OF PAPER CURRENCY.

INTRODUCTION.

At the present time the business of banking in Sweden is conducted by institutions of three classes, in addition to those credit institutions which are concerned with advances on real estate and the like rather than with banking proper. These three classes are: (*a*) The Bank of Sweden (Riksbank); (*b*) joint-stock banks, the liability of whose ordinary shareholders is not limited, whether or not there be associated with them *en commandite* shareholders with limited liability; (*c*) joint-stock banks of the type familiar in most countries, all of whose shareholders enjoy the privilege of limited liability.

For the sake of completeness, mention should be made also of the remnant of the people's banks. Many of these are now included either in the second or third of the above classes; but a few, doing business on a quite modest scale, retain distinctive characteristics and must be considered by themselves. Savings banks also exist, and, in their receipt of deposits and the lending of their funds, do work in some measure of a similar character to that which forms part of the activities of ordinary banks. Neither of these classes of banks, however, has a close

relation to the phases of banking on which attention is mainly centered in what follows, and it will not be necessary to devote much space or a separate position in the general classification to either people's banks or savings banks any more than to credit institutions whose function is to make advances on the security of real estate, whether urban or rural.

Since the 1st of January, 1904, the right to issue bank notes, previously enjoyed by banks of the second class, as well as by the Riksbank, has been restricted, and the paper currency is now the monopoly of the central institution. The third class of banks has never enjoyed the privilege of creating paper currency.

The peculiar position of the second class of banks can only be understood by reference to the history of banking development during the nineteenth century. The first of these private, or enskilda [a], banks was founded in 1831, and there has been an almost uninterrupted controversy in reference to the privileged position which was accorded to the banks of this type. Some of the features of that controversy, especially as illustrated in the legislative enactments relating to the privileges and obligations of banks, are sketched in the account which follows.

The third class of banks has been of continually growing importance since the first of them was founded in 1863.

[a] In what follows, to avoid misapprehension, the name "enskilda bank" will be used, as in the Swedish designation of these banks, in place of rendering this term by "private" or "independent." It will not be necessary, perhaps, to add the qualifying term "note issuing," inasmuch as other joint-stock banks than those known as "enskilda" banks have not enjoyed the note-issuing privilege.

CHAPTER I.

EARLY HISTORY OF THE RIKSBANK.

The first bank to be established in Sweden was a private institution, established under a charter granted on November 30, 1656, to a certain John Palmstruch (or Palmstruck) and his associates. The royal decree establishing Palmstruch's bank was dated from Marienburg in Prussia. For half a century various projects for starting banks in Sweden had been discussed, and a charter had been granted ten years before that now in question, but it had not resulted in the actual commencement of banking business. The charter of 1656 authorized a bank to deal in exchange and grant loans for the advantage of commercial enterprise. The offices were to be in Stockholm and other towns in the Kingdom, and the difficulties of the copper currency constituted one of the points in reference to which the new institution was expected to render much-needed assistance, the banks of Amsterdam and Hamburg serving as prototypes in framing the regulations for the Swedish institution.

MacCulloch states that the funds for the conduct of the business of the bank were procured by borrowing the sum of 300,000 specie dalers (say, the equivalent of $320,000 United States currency) at 4 per cent, but the final authority for this assertion is not given

The advances were made on the security of bullion or other valuables, merchandise, and also real estate. The interest charged was 6 per cent, with a higher rate on

loans of small amount. The charter provided that the King, equally with other borrowers, should give security for advances made, and that he, like others, should be under obligation to make repayment within a year and six weeks.

The exchange department of the bank conducted a deposit business. Subject to certain conditions, depositors could transfer to others sums standing to their credit, or could withdraw them, the document used for the purpose of transfer or withdrawal being designated a bank note. Later on payment of bills of exchange for large amounts was required to be made at the bank. The customs revenue was to be deposited in the bank, thus insuring to it some, if not all, the banking business of the Crown.

In the month following the grant of the charter, a royal decree ordered the division of the profits of the bank between the Crown, the city of Stockholm (where alone an office was established) and the bank. The share assigned to the bank was one-quarter of the net profits. The same decree designates Palmstruch as president of the company. In the course of the next year more detailed regulations for the conduct of the exchange branch of the company's business were approved.

In August of the year 1661 the bank began to issue a kind of deposit receipt for the copper currency received on deposit. In form it was a simple acknowledgement that the holder had a claim on the bank in Stockholm for a certain sum of money. These documents were called credit notes, and soon won general acceptance as currency. The charter conferred no powers for this creation of paper currency, but it is clear that the Government acquiesced

in the action of the bank. The volume of issue before long exceeded the value of the coin held by the bank, and on the occurrence of a marked rise in the value of the metal, copper, of which the metallic currency was made, there was experienced a pressure of depositors to withdraw the coin standing to their credit. As loans could not be called in with sufficient speed, the bank found itself in difficulties. Some of the writers on the subject are of opinion that, contrary to the stipulations of the charter, the Government, or some of the members of the group which owned the bank, had obtained advances without putting up the required security. The position, at any rate, was such in the year 1664 that the Government was desirous of rendering assistance to the bank, and, with that in view, an investigation of its condition was made. The Government undertook the settlement of all the bank's business, including the redemption of the outstanding notes, within a year, a time limit which was repeatedly prolonged. Meanwhile the notes were required to be accepted at their face value, both in private transactions and in official payments.

Palmstruch was proceeded against, but the records of the trial were not made public. The total loss was stated at 200,000 dalers specie, but how far this resulted from fraud, how far from losses on loans, is not known. In 1668 Palmstruch was condemned to the loss of the charter privileges and ordered to make good the losses resulting from his conduct of the business. Failing in this, he was condemned to imprisonment for life, but was pardoned and set free in 1670, and died the following year. His associates escaped all punishment, and, in the face of the

secrecy maintained in regard to the matter, the conclusion which has suggested itself to writers discussing the matter is that Palmstruch did not act without the knowledge or authority of others in the matters the blame for which was made to rest upon him alone.

It may be mentioned, before passing to the next stage in the historical development, that in 1665 silver replaced copper as the basis of monetary valuation, the latter having been established as basis in 1625. Copper coin, however, remained the principal currency in circulation.

The lapse of the privilege of banking accorded to Palmstruch and his associates did not result in the passing away of the bank itself. After due consideration and consultation with the representatives of the different classes into which the people were divided (the estates of the realm, then four in number, namely, clergy, nobility and gentry, burgesses, and peasants) the bank was, by a royal rescript of September 17, 1668, placed under the authority and supervision of the Parliament[a] (i. e., the four houses of representatives as above named), which prepared a set of regulations for the conduct of its operations, bearing date September 22, 1668. From that time the bank became *Rikets Ständers Bank*, the Bank of the Estates of the Realm. The authority and responsibility of Parliament in regard to its operations became absolute. Neither King nor ministers had, or have, rights overriding those of the Parliament, which are jealously guarded. It is important to bear in mind this fact, that

[a] The peasants' representatives refused to associate themselves with the continuance of the bank, and not till 1800 did they share with the other three houses in its management.

the use of the title Riksbank,[a] or National Bank, to which the earlier name was changed in 1867, may not suggest the existence of a control or responsibility on the part of the executive government, which is lacking in this case, though present in a number of other countries with centralized national banks.

The bank was guaranteed the privilege of being the custodian of the revenue received from customs dues, and sundry other state revenues, the funds of various public institutions, the revenue of the city of Stockholm, bequests and other funds, while the King undertook not to exact from the bank overdrafts on his deposit account. No special provision for supplying capital for the bank's operations was made by the Parliament. The regulations for the conduct of business and the classes of business undertaken, remained unchanged, the Riksbank being, in fact, the direct continuation of the enterprise established under Palmstruch. At first, the two departments previously existing were maintained as separate businesses, the loan department accepting deposits at six weeks' notice, for which interest was paid. A secret instruction, however, authorized the advance by the exchange department to the lending department of the funds at its disposal though on reasonably moderate terms.

It would appear that the bank's operations were expanding, and the benefits it afforded were appreciated, up to about the end of the seventeenth century. In 1700, however, with war in sight, depositors began to draw out their funds, in a spirit of fear, and a committee of inquiry was

[a] The name Riksbank is used in what follows, notwithstanding the fact that it was not till 1867 that it became the true designation of the bank.

appointed in 1701 to examine into the position of the bank's business. Meanwhile, after continued demands for such extension, branches began to be opened, the first in 1692, and others in 1693 and 1694, one in each year. They were not, however, maintained for very long, the two latter being closed in 1702 and the former in 1705. Though three others were projected, they were not actually established.

Among the results of the committee's inquiries was that no part of the funds of the exchange department had been lost, but that the managers of the loan department had been compelled to restrict repayments to depositors in order not to bring borrowers to ruin and expected within a short time to restore matters to their normal condition.

The bank, when it passed under the control of the Parliament, had been expressly denied the right to issue credit notes to circulate as currency. The report of the committee of 1701 shows, however, the existence of a system of transfer notes in connection with a special class of accounts by means of which payments were effected between different places. The system appears to have possessed the more essential characteristics of the accepted check, the transfer notes requiring indorsement and bearing the bank's acknowledgment of the deposit of the sum represented. These notes were drawn for not less than 100 dalers in silver (as already mentioned the riksdaler was the equivalent, in silver content, of about $1.07 of United States currency). They were readily accepted for use as a circulating medium, being, indeed, a necessary substitute for Palmstruch's credit notes. They were accepted at a premium of 3 per cent as compared with copper coin.

Their form was that of a deposit receipt, and this form was retained when the circulating note had ceased to be a true deposit receipt, issued against and guaranteed by the full equivalent in cash held by the bank, but was a representative of the bank's credit, available as a medium in which advances could be made. It was not till 1836 that the notes of the bank were drawn in the form of a promissory note instead of that of a deposit receipt, and even then not in the case of the fractional notes, since withdrawn.

Another form of representative of debt, issued by the bank, but not used as circulating notes, was that known as a bank-loan certificate, issued against loans taken up by the bank. These are still to be found in small amounts, the annual report of 1908 showing some $47,500 worth as still outstanding, the interest on which amounts to $2,060.

The transfer notes were the means by which the bank was led into difficulties on more than one occasion. They were issued in such great volume that, when metallic funds for foreign payment were needed by their holders, it was found that the bank was not in a position to maintain effective redemption. The Government had secured loans without giving adequate security and came to the support of the bank by constituting the transfer notes a legal tender in 1726. A renewal of serious difficulties occurred in 1745, when among the measures taken was the issue of notes representing 12, 9, and 6 dalers in copper money, and authority was given the bank to cease the redemption of notes. The fluctuations in the value of copper were a main cause of the difficulty. As is stated above, the value of the currency was based on silver from

1665, instead of on the copper in use earlier. In 1717, in consequence of a rise in the value of the metal copper, the copper coin was given a new rating, 50 per cent above its former value in silver or notes.

As a result of the excessive issues of credit notes, silver reached a premium of 25 per cent in 1745, and by 1760 the premium on the metal reached 100 per cent. The high price of the principal Swedish export commodity—iron—affected the balance of the foreign exchanges, and attempts made by the exchange department of the bank to adjust the quotation were rendered fruitless by the expansion of the loans of the loan department. In 1760 the Parliament decided to order a reduction of loans, but it was not long before notes were once more pouring into the circulation in large quantities, and new measures had to be taken with the end of restricting the amount of the advances made. It was announced that, after the lapse of a few years, the notes would again be redeemed at par, and this assurance to note holders resulted in a temporary improvement in their value.

The fluctuations in the value of the currency and in the policy of the bank naturally led to discontent and distress. After the King had consulted with the bank's managers, representing the Parliament, and that body had duly considered the matter, the decision to accept the depreciation of the notes was taken in 1776, and it was decreed that, from the following new year, they should be redeemed at half the amount in silver represented by the rating of 1717 on their face value in copper. When the redemption began, the proportion borne by the metallic funds of the bank to the reduced value of the outstanding

notes was that of 9 to 16. The transfer notes representing copper currency were succeeded by notes representing gold and silver, and in that way the currency was once more regularized. The transition was assisted by favorable commercial conditions, and not less by restriction in the loans made by the bank. Thus ended the first period of irredeemability of the bank's notes, after lasting for over thirty years.

During those years a new development in the business of the bank had, after lengthened consideration, been undertaken. The desirability of associating private capital with the national undertaking had been discussed, and a plan for doing this duly matured. The method adopted was to establish a discount company composed of private shareholders, whose capital was supplemented by a loan from the bank. A royal charter for a term of twelve years was granted, on May 26, 1773, to a company with a capital of 400,000 dalers in 7,200 shares, to which a loan of 100,000 dalers from the funds of the State was to be granted at 3 per cent. As state funds were not available, the advance was made out of the funds of the bank, and a further advance of 200,000 dalers at 6 per cent was made in 1777. The managing board was composed of four directors elected by the proprietors, and a supervisor or inspector was appointed by the Crown. The business undertaken consisted in receiving loans at moderate rates from private persons, and lending funds thus obtained by the process of discounting. The discount of foreign bills was already part of the business of the Riksbank, but domestic bills were, apparently, not sufficiently provided for by that institution. The new company was not to

discount for others than those engaged in useful businesses or manufacturing operations. In course of time there was developed not only by the new institution, but by the Riksbank, and by other banks when they were established later on, an extensive system of loans in small amounts against the notes of the borrowers without collateral security.

When the twelve-year period of the charter terminated it was not renewed, but meanwhile a similar privilege had been granted to a discount office in Gothenburg on March 24, 1783. In this case the share capital was not specifically determined, only the amount (100 dalers) of each share being prescribed. This institution was authorized to establish current accounts for effecting payments between its clients, charging a commission of one per mille on the turnover for its services. Like the Stockholm institution, that in Gothenburg did not have its charter renewed on the expiry of the term of the original grant.

In place of the privately owned discounting business, there was established in Stockholm, in 1787, a general discount office, using state funds solely for its operations, the amount of the capital being the same as for the earlier institution, and the business of the same class. It was, however, permitted to this new institution to make advances secured by a lien on rural real estate. The management consisted of five directors appointed by the Crown and there was, as before, an inspector to exercise supervision over the business. In 1789 the unsatisfactory condition of the finances of the Kingdom, resulting from mismanagement and the financial demands of the war, led to the transfer of the management of the public debt to the Parliament. A national debt office was estab-

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lished, which created a new circulating medium in the shape of certificates bearing interest at 3 per cent, and of small face value. These certificates, which were accepted in payments to the royal treasury, represented sums as small as 2½ dalers, and within a year debt certificates were in circulation to an amount represented by as large a face value as that of the total of bank notes outstanding. Already in 1790 a premium of 6 per cent was established on bank notes in terms of debt certificates. The Parliament which assembled in Gefle in 1792 decreed a forced currency for the debt certificates, though with the 6 per cent allowance as compared with bank notes. The debt certificates ceased to bear interest from this date. After this, yet smaller denominations of certificates were issued, even down to a quarter of a daler, and their value became fluctuating, in general, depreciating. In 1799 the bank note was worth half as much again as the debt certificate of the same denomination.

Meanwhile the effort to associate private with public capital in banking enterprise had been renewed. Perhaps a not less important feature in the establishment of the discount agency chartered on October 26, 1789, was that it was to carry on its loaning operations with the certificates of the national debt office, and thus might serve as a means of introducing them into circulation. The capital was to be provided, partly by a state contribution of 150,000 dalers in debt certificates, partly by the subscription of 1,000 shares at 100 dalers each. The management was to be conducted by a board composed of two shareholders' directors and three nominees of the Crown. After a year's operations, as already recounted, the large

issues of debt certificates had begun to produce a depreciation relative to bank notes. An internal loan failed to relieve the situation, and the issues of debt certificates proceeded while the State had not funds with which to redeem the growing obligations. The cessation of interest and the forced currency accorded the certificates in 1792 have already been referred to. The institution of 1789 was brought to an end, and the right of conducting a discount business with the certificates of the national debt office was made a monopoly of that office itself by a decree of April 11, 1792. A new discount agency was thereupon established, to the capital of which the national debt office contributed 200,000 dalers (in debt certificates), adding thereto a loan of 100,000 dalers at 3 per cent. The association of private capital with that of the State was, however, not abandoned, as 500 shares of 100 dalers each, to be subscribed by private persons, formed part of the plan.

In Gothenburg, too, there was set up, in 1797, a private discount establishment employing debt certificates for its advances. These various institutions, however, failed to maintain the credit of the debt certificates, and in the year 1800 an arrangement was made with the Riksbank for taking over the discounting business of the national debt office and for redeeming its certificates. Dealing with the first-named feature first, a royal decree of August 26, 1800, authorized the Riksbank to establish a national discount business with a capital of 600,000 dalers, of which, for the term of the charter, namely, fifteen years, one-third might be subscribed by private persons in shares of 50 dalers. These private shareholders were to subscribe for their shares in metallic silver, and, further, to lend to the

bank an equal sum in silver at the same time. Of the six directors, two were to be shareholders' elected representatives, four appointed by the board of the Riksbank. The business to be carried on was making advances on bills of exchange and shares and on the security of personal guaranties, but not on mortgages or on produce. The enterprise received further support from the bank, besides the provision of capital, and, on the termination of the period of the charter, the institution was continued without the association of private shareholders with the bank, in accordance with regulations approved on February 7, 1816, and under the title of the Discount Agency of the Bank of the Estates of the Realm.

In addition to the discounting business in Stockholm, arrangements were made, in a decree of August 26, 1800, for the establishment in other centers of discounting businesses, in which, however, private capital alone was engaged.

Gothenburg was the seat of the earliest, its charter dating from October 13, 1802, and its share capital being 200,000 dalers. In virtue of a charter dated February 15, 1803, a similar business was started in Malmö with a capital of 100,000 dalers, and on July 20, 1805, a charter was granted to another in Åbo with a capital of 150,000 dalers. The capital was to be subscribed in metallic silver, in exchange for which notes of the Riksbank were obtained. The term for which all three charters were granted was, like that in the case of the Stockholm institution, fifteen years. As in the case of some of the earlier ventures, these provincial institutions were to be supported by advances from the bank at 3 per cent, and the bank was to share in

their profits to the extent of one-third of any excess over 7 per cent. A representative of the bank took part in the annual audit of accounts. A fourth discount business was established a few years later, in association with the Gotha Canal company, for whose advantage and assistance it was chartered on April 11, 1810. Only shareholders in the canal company could become shareholders in the discount business. The term of the charter was twenty-five years, of which four were allowed for the preparatory operations. The canal company's capital was also to serve as the capital of the new establishment, assistance being given by the Riksbank in the shape of a credit of 800,000 dalers at 3 per cent, later increased to 4 per cent. The anticipations of profit led to a subscription of over 3,000,000 dalers. In 1816 the credit at the bank was doubled in amount, the canal itself serving as security for the advances made by the bank. The managing board of the bank had the right to appoint one member on the board of the new discounting institution, and one of the auditors. The business done by all these provincial institutions consisted in making advances on bills of exchange and promissory notes for a term not exceeding six months, and also in making loans for twelve months on the security of the shares of well-known enterprises, and in particular on those of the Gotha Canal. The bank credit was utilized by the issue of drafts on the bank, the minimum of these being 5 dalers, these drafts serving as a circulating medium. Private persons also provided the discounting business with funds, receiving from them in exchange drafts payable on presentation, these also serving as a circulating medium. Many of these represented small amounts.

The excessive amount of the advances made and the unrealizable nature of the security in many cases, particularly in the case of the canal itself, in which much of the funds were sunk, naturally led to difficulties. In the critical times of 1808 the institution at Åbo had to be liquidated, and, though the others were held together for a time, by the autumn of 1817 it could no longer be concealed that the Malmö business was insolvent. The audit of that year showed that a startling rashness had characterized the conduct of affairs, and the loss to the bank exceeded 430,000 dalers. The fall of the Malmö business created so much distrust that both the Gothenburg institutions were also compelled to liquidate, and a special meeting of the Parliament was summoned to deal with the situation. The total loss to the Riksbank amounted to no less than 1,343,000 dalers. Private credit institutions could no longer command sufficient public confidence, and the Parliament resolved that the Riksbank's discount agency, to which reference has been made above, should alone be permitted to conduct the business of discounting throughout the Kingdom. One result was the establishment in 1824 of branches of the Riksbank in Gothenburg and in Malmö.

In following the course of events in reference to the discount institutions, the results of the depreciation of the debt certificates have been neglected. It has already been noted that by 1799 these debt certificates were worth one-third less than the notes of the bank of equal face value. The Parliament of 1800 arranged for a resumption of redemption of the debt certificates, to begin in 1803. The operation was to be carried through by the

bank, which bound itself to redeem 15,000,000 dalers of debt certificates at a deduction of one-third from their face value, and, to the extent of one-third of the total amount, ten-year bonds bearing interest at 4 per cent were employed as the equivalent in redeeming the debt certificates. By a foreign loan and in other ways the cash holdings of the bank were strengthened to meet the situation.

The resumption of cash payments was duly achieved, but the uncertainties and the financial drain of war led to a renewal of excessive issues of circulating paper. In 1810, and still more definitely in 1813, the bank failed to supply silver in redemption of its obligations, a course which a law of 1810, giving the notes of the bank legal currency without reference to their redemption on demand, permitted. After the fall of the provincial discount businesses in 1817 the bank was, by royal decree, restrained from the issue of silver; that is to say, the notes were not permitted to be redeemed. Overissue and depreciation followed, and the reestablishment of order in the currency was only effected at the expense of the legal recognition of the depreciation contained in the law of 1st March, 1830. A new redemption at 37½ per cent of the face value of the notes was decreed, so that 2⅔ dalers in bank notes were the equivalent of 1 daler in specie (silver). This relation was maintained from 1834, when first the provisions of the law of 1830 were able to be carried into effect, till the establishment of the gold standard.

Hitherto the language employed has recognized but one currency unit, the riksdaler. After 1834 the use of

the riksdaler banco as well as the riksdaler species, and also the riksdaler currency, which was the debt certificate daler, renders it necessary from time to time to employ more than the one simple term. It will be convenient to restate here the relations of the three units and of each to the United States dollar. The riksdaler riksmynt, or currency daler, which became the legal currency unit in 1855, is perpetuated in the modern Swedish currency unit, the krona or crown (*pl.* kronor), equivalent to 26.8 cents United States currency.

The riksdaler banco, or bank daler, being one and one-half times the preceding, is 40.2 cents United States currency.

The riksdaler species, or silver daler, is two and two-thirds times the bank daler, or four times the currency daler—that is to say, is 107.2 cents United States currency.

Since 1834 the redeemability of the notes of the bank has been fully maintained in silver till 1873, and since that year in gold. While the issue of the small notes of 8, 10, 12, 14, and 16 skillings banco (48 skillings = 1 riksdaler) was continued, little metallic coin was used in general circulation, but when their issue was stopped in 1844 their place was gradually taken by coin.

The later history of Swedish banking is not disturbed by uncertainties in regard to the value of the currency. The question of the policy of permitting private bank-note issues was, it is true, the subject of continual discussion and of repeated projects for changes in the law, but the private issues did not, fortunately, affect the value of the circulating paper.

CHAPTER II.

THE ENSKILDA BANKS.

In the next period of Swedish banking history we have to do with with private institutions undertaking all ordinary banking functions, not merely with attempts to supplement the operations of the Riksbank in certain special directions by the establishment of more or less subordinate institutions, such as those whose rise and fall have been briefly traced in the foregoing account.

It had long been felt that the banking requirements of the country could not be satisfactorily met by a single central institution, and in the attempts made to supplement its operations, particularly to provide facilities in other centers than the capital, it may be supposed that this sentiment was an influential contributing factor. The question occupied the attention of the Parliament anew in 1823, and the conclusion arrived at was that the needs of industry and commerce could be met better by the creation of private enterprises, to act as intermediaries between the owners of surplus capital and those who needed it for use in their undertakings, than by confining banking operations to the publicly owned and controlled Riksbank. The result of the discussion was the royal decree of January 14, 1824, authorizing the establishment of private banks. The articles of association and the regulations for the conduct of business by the new order of banks were required to be approved by the Crown before a charter was granted. The

proposed rules and the extent of the funds to be used were to be such as might be judged appropriate to the object in view, viz, the readier availability of private funds for making advances to assist commerce, industry, and agriculture. In every case a definite declaration was required that no aid from funds of the State should be given, and that the State should not be involved in the business to be undertaken in any other way than in private businesses in general, and should not be called upon for any contribution toward maintaining the bank or rescuing it from difficulties. The same publicity in regard to the constitution and purposes of the private banks was required as for other companies, through advertisement in the Official Gazette, and these published details were to specify particularly such features as the unlimited liability of the shareholders, who were to be jointly and severally liable for meeting the obligations into which the company should enter. The term for which charters should be granted was not to exceed ten years, though a renewal might be sought at the expiration of the term. In advancing money on loan, interest at the maximum legal rate might be deducted, but not for more than a year—that is, the advances might take the form of the discount of notes with not exceeding one year's currency. The interest on loans outstanding after the expiration of the period for which they were granted was to be at the rate fixed by the discount agency of the Riksbank. Proceedings to enforce repayment were required to be instituted two months after the due date. Nearly seven years elapsed before any institution of the kind thus authorized was established. The first

charter was granted to an association of three persons in Ystad on October 14, 1830, but the actual commencement of business did not take place till the 1st of April following. A second bank secured a charter in 1832 and began business in 1833 in Carlstad. In 1835 another charter was granted, and under it business was started early in 1836. In 1837 three new banks were started, one of which was, during the term of its first charter, a company with limited liability. An interval of ten years preceded the establishment of the next two private banks in 1847 and 1848. No more were founded till 1856, when a private bank was opened in Stockholm, to be followed by three others in different parts of the country in 1857.

The slowness with which the new institutions were created would seem to suggest that the development of the country did not call very urgently for a widespread system of bank offices at that time. The growth of the business of the banks which were started, however, was considerable. At the end of 1850 the loans and discounts of the enskilda banks (to give them the distinctive designation belonging to them, and thus avoid the suggestion that, as private banks, they were not joint stock institutions) amounted to 16,000,000 of currency dalers (about $4,290,000), while those of the Riksbank were 40,500,000 dalers, having increased in the sixteen years from 1834 by 8,500,000. Besides the eight head offices, there then existed sixteen branch offices or agencies of the enskilda banks.

The lending business of these banks was modeled entirely on the lines of the Riksbank's discount agency's business. Advances were made on bills of exchange, on

promissory notes, occasionally on the security of real estate or of merchandise, including grain, and also by means of cash credits. Funds for the purpose were procured partly from the subscribed capital (though this was very moderate and not fully paid up), partly from deposits and the balances of current accounts, and mainly by the issue of bank notes. The smallest face value of the notes issued was 2 bank dalers (= 3 currency dalers), while the Riksbank was issuing, as already mentioned, fractional notes, and also issued a note of 32 skillings banco (1 currency daler). The lack of development of the means of communication enabled the notes to be kept in circulation longer than now, and thus rendered their issue a more valuable privilege. No mention is made of note issues in the decree of 1824, but the charter or articles of association of the individual banks provide for the notes, except in the case of the two earliest. The omission of specific provision in their case did not, it would appear, in any way prevent the creation of a note circulation by these banks.

In the revised enactment of 1846 the subject of note issues is duly dealt with. This enactment was framed after a discussion extending over many years, in which some urged the advantages of meeting the banking needs of the country by a system of branches of the Riksbank. There were complaints as to the conduct of the enskilda banks, but the majority favored their continuance, and regarded them, properly managed, as better able than branches of the Riksbank to provide the circulating medium required by the country. The proposals of the Parliament were in the main those which are found in the

royal decree of January 9, 1846, respecting enskilda banks which issue their own credit notes. The new enactment deals with a number of points omitted in that of 1824. The principal of these are the following:

1. The subscribed capital was to be at least 250,000 silver dalers; that is, 1,000,000 dalers currency ($268,000).

2. The offices, both head and branch, were only to be in towns.

3. The articles of association were to specify the amount of the capital, 10 per cent to be paid up before the bank commenced business, and a further 15 per cent within a year, security for this further payment being demanded. The management, audits, publication of the results of the audit in the Gazette, general meetings, and regulations for the making of advances, granting of credits, and the arrangement of current accounts were, of course, all to be dealt with in the articles of association.

4. The security for so much of the subscribed capital as was not paid up might consist of deposits of current money or of gold and silver bullion duly assayed, and also of such real estate mortgages and bonds or shares of industrial enterprises (but not shares of any enskilda private banks) as might be approved by the company, an agent of the Executive Government having also the right to be associated with the management of the bank in deciding what collateral was acceptable. These securities were to be deposited under official charge in a safe, to which a public officer, as well as the bank, controlled an independent lock. So long as the business of the bank should

continue, no diminution or repayment of capital was permitted.

5. The banks were empowered to issue (*a*) printed or engraved credit notes bearing no interest and payable to bearer on demand, of not lower denomination than 3⅓ bank dalers (5 currency dalers), and, from the commencement of 1851, not of lower denomination than 6⅔ bank dalers (10 currency dalers) [this last provision was not carried out in the sequel]; (*b*) interest-bearing obligations payable to bearer or to order of not less amount than 500 currency dalers; (*c*) deposit receipts payable to a definite person, the transfer of which was required to be notified to the bank, and bearing a specification to that effect on their face.

6. The department of finance was to be supplied with specimens of blank forms for the credit notes referred to in 5*a* above, and the names of those whose signatures were to be placed on the notes were required to be advertised in the Official Gazette.

7. Branches were to issue only drafts on the head office payable to the person named thereon.

8. The maximum limit of the note issues and drafts on the Riksbank, taken together, was to be the amount of the holding by the enskilda bank of the following items: (*a*) Current money of the realm in silver or Riksbank notes; (*b*) the balance of funds deposited with the Riksbank; (*c*) other holdings of gold or silver, and the security for capital subscribed but not paid up which has been specified above, the bank's own loan obligations being excluded; (*d*) security held for credits granted, to the extent to

which the credits had been drawn upon, but not exceeding in all one-half the bank's capital.

In case the limit should be exceeded, the excess was required to be adjusted within a month.

9. The bank might not make advances on the security of shares of enskilda banks.

10. The banks might not trade in other things than gold and silver. Property held as security for advances might, however, be taken over, conditionally on its being realized as soon as that could be effected without loss.

11. Shareholders might withdraw from the company or transfer their shares only with the assent of the company. The same rule applied to the heirs of deceased shareholders.

12. An account of the position of the bank's affairs was to be rendered to the Crown quarterly. An inspector appointed by the local representative of the Crown was to take part in the making up of this account, and was also to be entitled to inquire into the affairs of the bank at any time, with due regard to the secrecy of the relations of the bank with its clients.

13. The Crown was to be entitled to annul the charter in case of serious breaches of its provisions.

The provisions of the earlier law were to apply in reference to the liability of shareholders and the procedure in respect of loans. The above points are features in which the defects and omissions of the previous law were sought to be remedied.

The provision that the banks should be subject, in regard to the term for prescription of claims, to such

regulations as might thereafter be made was rendered definite by the actual determination, in a royal ordinance of October 6, 1848, that the ten-year limit applicable in ordinary cases of debt should not apply to the notes of enskilda banks, with the natural consequence should such a bank go into liquidation.

The fixation of the minimum limit of an enskilda bank's capital at 1,000,000 dalers currency ($268,000) is a notable feature of the new legislation. Of the six banks chartered before 1846, four had started with smaller capitals, and one still possessed a capital below the new limit.

The proportion of the paid-up to the subscribed capital was fixed in each case by the articles of association, the approval of which by the Crown was a condition of the grant of a charter.

The first of the enskilda banks was originally founded by three subscribers who provided a capital of 400,000 dalers. Other shareholders were shortly afterwards admitted, and an arrangement made by which the founders and the 4,239 shareholders were each credited with a subscription of 317,925 dalers. The face value of the shares was 150 dalers, and the total paid-up capital remained at 400,000 dalers till 1841 when, under a renewed charter, the share capital was reorganized, the value of each share being quadrupled, and, with 20 per cent paid up, the cash subscription was increased to 405,600 dalers. The position of founders and other shareholders was thereafter identical. The second bank in order of date of foundation had one-third of its subscribed capital paid up. The two which

followed had 30 per cent paid up, the next 40 per cent, and the sixth 20 per cent. These proportions were modified after the renewal of charters which took place in 1846, four of the six banks above referred to adopting the 25 per cent relation of paid-up to subscribed capital. The inquiry by a committee in 1860 showed that the 12 banks then existing had a total subscribed capital of 25,000,000 dalers currency, but the amount paid-up only slightly exceeded 6⅔ millions. This last figure leaves, however, out of account a special feature of three of the twelve banks. The subscribers to their shares paid up the entire face value in cash, but in two cases 75 per cent, and in the third 60 per cent, of the amount thus obtained was invested in suitable securities, mainly mortagages on real estate, and only the balance retained for ordinary banking operations, thus effectively putting these three banks in line with the other nine in this matter. Taking account of the original cash subscription of these banks, the total cash paid in by the holders of the 25,000,000 dalers of shares amounted to a little over 9,000,000 dalers. Under a subsequent revision of the banking law, the course voluntarily adopted by these three banks was made obligatory on all. It appears, further, that there was in some other cases an excess of cash subscriptions over the minimum proportion required, the excess being invested as in the cases specially considered above. During the years 1837–1847 there were cases in which the directors did not enforce against subscribers the full cash subscription specified in the

articles of association, but this state of affairs was not continued in later years.

The deposit of securities, under the control of a public officer and of the bank jointly, suggests to the mind the national bank system of the United States, with its provision for the purchase of government bonds as a condition precedent to the issue of bank notes. The Swedish banks were accorded a much greater liberty as to the selection of the securities, which, however, as in the United States, served as a guaranty for bank notes issued. It is to be observed that the system of representing the part of the capital not paid up in cash by securities was embodied in the articles of association of various banks before the date of the decree of 1846, which imposed it as a general condition on all.

The charters which were granted to enskilda banks had, in general, a term of ten years, with the requirement that application for renewal must be made at least eighteen months before the current term expired. The first three charters were due to expire in 1840, 1843, and 1845, respectively. There were three banks chartered in 1837, and, before the first term of the earlier banks ran out, a renewal was granted so that all six should expire together in 1847. Thus, after the determination of the new conditions of operation in 1846, all the six banks then existing were at once brought under the new rules, their charters being renewed in 1846. How the interest in the develop-

ment of these banks was spreading is shown in the following comparison of the situation at intervals of ten years:

Enskilda banks, 1837–1857.

	1837.	1847.	1857.
Number of banks	6	8	12
Number of shares	22,299	59,925	87,662
Number of shareholders [a]	1,025	1,826	2,924
	Daler currency.	*Daler currency.*	*Daler currency.*
Subscribed capital	6,342,600	15,736,320	25,001,900
Paid-up capital	2,036,940	4,535,125	6,689,475
Surplus	217,418	678,794	729,441
Notes in circulation	4,085,812	16,253,444	21,405,736
Cash held [b]	1,872,735	7,562,748	8,800,985
Deposits	24,380	203,000	3,557,930
Current account balances	215,046	1,451,640	4,722,639
Other borrowings	69,604	----------	2,448,500
Discounted bills [c]	3,533,496	8,169,850	16,348,719
Advances [d]	682,446	4,133,580	11,105,011
Loans on stock exchange collateral	12,000	1,351,457	1,271,785
Balance sheet total	9,790,641	31,021,798	55,645,205

NOTE.—The daler currency is equivalent to 26.8 cents.

[a] Shareholders in more than one bank are included once for each such bank.

[b] Including gold, silver, Riksbank notes, notes of other enskilda banks, and deposits at the Riksbank.

[c] In this item are included all advances on notes of hand, whether secured by the deposit of collateral pledged to the bank or by personal guaranties. In 1857 a further item of discounted inland bills of exchange, amounting to 1,249,593 dalers currency, should be added.

[d] Cash credits, secured by deposit of collateral or otherwise. The figures show the outstanding advances. The total of credits assigned to customers at the end of 1857 was 16,249,000 dalers.

The number of banks doubled, the shareholders nearly trebled, in the twenty years' interval covered by the table. The subscribed capital increased threefold, the paid-up capital in the proportion of 3 to 10, while the proportion of paid-up capital to total assets diminished from 21 per cent in 1837 to 15 per cent in 1847 and 12 per cent in 1857. By far the most important means of providing the funds for the activities of the banks was the issue of notes,

which, providing double the paid-up capital in 1837, accounted for three times the paid-up capital in 1857, having been even more important relatively in 1847.

The principal items on the assets side of the account are the discounts and cash credits, of which the latter had increased most rapidly and formed the subject of no little criticism. The feature has been so familiar through its services in the Scotch banking system that no comment on it is required here. A small commission on the amount of the credit granted and interest on the amount actually withdrawn on the credit provided the bank's profit. The utility of these facilities in encouraging enterprise has often been emphasized by writers on banking subjects. Of the discounts, it appears that a large proportion was on personal security, and the extent of these loans was used as an argument against leaving too much freedom and granting too great privileges to enskilda banks. The difficulty in recovering such loans might endanger the redemption of the notes, in which they were largely made.

The holdings of cash items increased faster than the paid-up capital, but, in the second decennium represented, less rapidly than the outstanding notes. If the aggregate of notes, current-account balances, and credit balances not drawn be considered, their total at the end of 1857 was 31,250,000 dalers, as compared with which the cash items represented 28 per cent, a not unsatisfactory showing when the probabilities of a drain arising from any of these classes of claims on the banks is considered.

CHAPTER III.

THE RIKSBANK AND ITS SUBORDINATE INSTITUTIONS, 1834–1875.

Before proceeding further with the development of legislation touching the enskilda banks, it is necessary to review events relating to the Riksbank in the period following the resumption of cash payments in 1834, inasmuch as the supporters of exclusive privileges for the state institution were able, in this period, to reassert their strength.

The association of private capital with the national undertaking had formed the subject of repeated and careful discussion. One view held was that the Swedish constitution, in its provisions dealing with the relations of the bank to the Parliament, rendered the inclusion of private shareholders impossible, and this view finally prevailed, though some specious arguments on the other side were advanced. The authorization of the establishment of the enskilda banks was one outcome of a particular phase of the controversy, but the achievement of this step rather stimulated than composed the discussion on principles. In the foregoing the transformation of discount establishments intended to operate with private funds, with support from the Riksbank, into a lending agency of the bank itself from the year 1816 has been briefly related, and the establishment of branch lending establishments at Gothenburg and Malmö in 1824 has also been noted.

These remained as the only branches of the Riksbank till the year 1851. In the Parliament of 1850–51 a decision of great importance in reference to the bank's development was taken. In addition to a third ordinary branch of the bank to be established at Wisby, a new system of district [a] banks was authorized. These banks were to be established with private capital, but were to differ from the existing enskilda banks in not having note-issuing rights. To give them the strength without which one of the main objects of their promoters, namely, that effective competition with the existing enskilda banks which might hinder the further multiplication of the latter if it did not provide a substitute for those already established, could not be attained, the Riksbank was to be a kind of foster mother to the new class of banks, granting advances and giving credits at low rates.

Between 1852 and 1862, both inclusive, 25 charters for such district banks were granted, and 22 of them started operations. The profit made by the Riksbank on its connections with these quasi branches was, however, not satisfactory, and the Parliament of 1862-63 resolved to withdraw the support of the Riksbank, a step which inevitably led to the gradual extinction of the district banks.

Five charters were granted in 1852 for ten years, of which one was forfeited through the lapse of the interval permitted for the commencement of operations before business was started. Three charters were granted in 1855 and twelve in 1858, two of the latter not resulting in the actual starting of business. One was granted in each of the

[a] Called "Filialbanker," or "Branch banks." The use of the literal rendering of their titular designation would be misleading.

years 1859 and 1860 and three in 1862. Of the banks thus established, none endured for more than twenty years, and the last to disappear ceased its operations on June 30, 1875. Half of the total number were absorbed by, merged in, or converted into, enskilda banks. Two others—the two first chartered—were reconstructed as joint-stock banks with limited liability in 1872 and 1873.

The regulations contained in the royal decree of September 30, 1851, under which the district banks were established, are deserving of attention as comprising some features which were added to the law regulating enskilda banks at its revision in 1864.

The head offices were, as with the enskilda banks, required to be situated within a town. At least 30 shareholders were required, who accepted a joint and several liability for the bank's undertakings. At least one-fourth of the subscribed capital was to be paid in cash.[a] For the remaining three-fourths a note, payable on six months' notice, was to be given to the directors, accompanied by collateral in the shape of coin or bullion (duly assayed) of gold or silver, public securities taken at the value at which they were accepted by the Riksbank as security for loans, or mortgages on real estate, in the rural districts within the amount of the valuation for taxation made in 1850, in towns within two-thirds of the fire-insurance valuation, the security to be subject to the approval of the directors and of an inspector appointed by the managers of the Riksbank.

[a] In two cases the articles of association required that the whole be so paid up within two years.

The charter was to be granted for a period not exceeding ten years. Subject to the fulfillment of these conditions, the district bank should be entitled to advances from the Riksbank to an amount not exceeding the uncalled part of the subscribed capital, for which collateral security had been provided by the subscribers, or 500,000 bank dalers, whichever were the lower amount.

A lien on the collateral security just mentioned was to be given as security to the Riksbank.

Four-fifths of the advances were to be made in the shape of loans, the remainder as an open credit on which the district bank might draw, using for these drafts printed forms supplied by the Riksbank, and notifying the central institution by the first outgoing post. These drafts were to be of the same denominations as were permitted to the branch loan offices of the Riksbank, viz, 100, 150, 500, and 1,000 bank dalers, i. e., 150, 225, 750, and 1,000 dalers currency, and none other.

If any of the district banks desired to obtain advances only to the extent of a quarter of its subscribed capital, it might obtain the whole in the form of an open credit, up to the amount of 200,000 dalers currency.

The rate of interest on the loans and on the drafts on the open credit was fixed at 3 per cent.

The business to be carried on by the district banks was to comprise the making of advances, the discount of bills of exchange, and the opening of current accounts and grant of cash credits under conditions to be determined in detail by regulations under the authority of the Crown.

In the yearly audit a representative of the Riksbank was to take part.

By a later modification of the regulations the one-fifth proportion of the open credit to total advances from the Riksbank was increased to one-third. In 1858 it was further decided to charge a commission of at least 1 per cent per annum on the amount of the credits opened.

The advances made might be recalled, apart from acts of the directors of the bank receiving them, should it seem necessary to increase the Riksbank's cash reserve, and other means of doing so, such as the restriction of the discounting business of the agencies of the Riksbank and of its advances on open credits in general, have proved inadequate.

In case of notice being given of the cessation of loans to a district bank under such conditions, that bank was required to repay the amount by equal installments of one-fifth yearly, beginning one year after the date of the notice.

The detailed regulations for different district banks differed in a number of points from one another. Thus in some cases it was forbidden to issue share certificates, but the subscribers received the right to an open credit without the deposit of special collateral, in some cases to as much as two-thirds of the subscribed capital. In some cases the collateral accepted against an open credit was real estate. In the older banks the regulations fixed the limit of advances against personal guaranties at one-fifth of the subscribed capital, together with the average amount of the payments into customers' drawing accounts over a lengthened period. Later regulations limited this class of advances to a fifth of the subscribed capital.

The Parliament of 1860 determined that the entire amount of the advances from the Riksbank to district banks should thenceforth be in the form of open credits alone, limited to one-half the subscribed capital of the bank to which the accommodation was granted, but not exceeding in any individual case 500,000 currency dalers and subject to an interest charge of 4 per cent, with a minimum commission of 2 per cent per annum on the amount of the credit opened.

The requirement from the enskilda banks by the law of 1846 of a quarterly account was not included in the district banks' regulations, so that the statistics relating to them have been compiled from their annual audit accounts, and the figures do not apply to the same date for all the banks.

The drafts on the Riksbank were found to remain in circulation for a considerable period, and, as the general rate of interest charged by the district banks on the advances made by them was 5 per cent (raised by a number of them to 6 per cent during the financial pressure in 1857 or 1858) they afforded a source of no inconsiderable profit, a larger share in which was sought, in the raising of the rate charged, by the Riksbank itself.

The provision of the funds for the loans made by the district banks, from which they could not be withdrawn quickly in case of need, tied up the resources of the central institution. As appears from the statement below, the district banks provided by the development of the deposit side of their business only a moderate proportion of the funds which they lent, and the advances obtained from

the Riksbank formed the most important part of their available resources.

The following table gives some of the figures for the year 1855, selected rather than 1857 because of the financially disturbed state of the last-named year, and 1867, when as yet the greater part of this group of banks were still in operation:

District banks 1855 and 1867.

	Accounts of—	
	June 30 and December 31, 1855.	June 30, 1867.
Number of banks	4	18
	Dalers currency.	*Dalers currency.*
Subscribed capital	3,150,000	13,443,000
Paid-up capital	795,575	5,291,429
Reserve funds	39,841	336,112
Profit of year	101,198	263,566
Cash in hand (coin and notes)	558,620	578,757
Deposits	198,083	4,845,695
Current account balances	1,099,937	1,208,417
Advances from Riksbank	1,796,850	7,222,469
Loans	2,482,661	9,038,181
Advances on open credits	1,091,553	4,565,739
Bills of exchange	192,617	5,137,741
Security guaranty for uncalled capital	2,354,425	8,151,571
Balance sheet total	6,850,468	29,486,135

In 1863 the number of the district banks reached the maximum of 22, and remained at that figure but little over a year. The subscribed capital at that time exceeded 15,000,000 dalers currency.

It will be seen that the cash with which the business was conducted was small, the open credit at the Riksbank serving in place of cash in hand. The dealings in inland

bills of exchange had increased very notably in the interval between the selected dates, as had also the deposits at time and notice. The capital paid up had increased faster than the business done, and the proportion of the funds used in lending, which was provided by the Riksbank, had decreased from 48 per cent to 39 per cent.

The resolution of the Parliament which effectively brought the system to an end was that no increase was to be made in the sums advanced to any of the district banks, and that such banks, if chartered in or after 1858, were not to be entitled to any advances from the Riksbank. It appeared that, on the ten millions (dalers currency) to which the advances made to district banks had increased, the Riksbank made only 2.39 per cent net, a rate regarded as quite inadequate.

CHAPTER IV.

THE ENSKILDA BANKS AFTER 1850.

The district banks had been established in part in accord with the view that the continued existence of private note-issuing banks was undesirable. It was alleged that the increase and decrease of their note issues, instead of corresponding to the expanding and contracting demand for the circulating medium, was really affected by considerations leading to an inverse correspondence, that is, that the issues contracted when the demand for circulation was great, and expanded in the opposite case. Propositions were discussed having in view the limitation of the maximum issue to a specified amount, each bank being allotted a share in this amount, but none of these plans received legal sanction.

The note circulation of the enskilda banks had been growing rapidly, while that of the Riksbank had been practically stationary. The figures for the end of each year show that in 1840 the enskilda bank notes had already exceeded 10,000,000 dalers currency, while at that time the notes of the state institution were in circulation to a value of a little over 41,000,000 dalers currency. Until 1853, the amount of the latter did not, either in June or December, reach 40,000,000 again, except in the crisis year 1847. In 1844 it was below 30,000,000 dalers. Meanwhile the enskilda bank issues, after remaining without

expansion till 1845 (in 1843 they were, in fact, slightly under 9,500,000) rose to over 15,000,000 dalers in each of the years 1847–1852 and then increased rapidly to 20,500,000, 25,400,000, and 31,600,000 dalers in the three following years. In these last three years there was a parallel increase in the note circulation of the Riksbank, which increased by 7,500,000, 8,500,000, and 8,500,000 dalers in the three years, respectively, to about 58,500,000 dalers in 1855. The development of the circulation of the state institution through the medium of the district banks may account, in part, for these increases. But it is clear that, up to this point, a general expansion, in which both enskilda banks and the Riksbank shared, was in progress. At the end of 1855 the aggregate note circulation was 90,000,000 dalers currency, as compared with 50,000,000 dalers in 1840.

At the same time that, in 1855, somewhat more stringent conditions were imposed on the district banks, the enskilda banks were also subjected to further regulations by the decree of November 10, 1855. The main features of the new legislation were:

1. That the number of shareholders must not be less than 30.

2. All banks to issue notes of the same denominations and of uniform size for a given denomination, the lowest value permitted being 5 dalers currency.

3. The banks were forbidden to buy and sell other things than gold and silver, inland and foreign bills of exchange, and interest-bearing paper, or to own real estate not required for the bank's own accommodation.

4. From loans for a period not exceeding six months, interest at a rate not exceeding 5 per cent might be deducted for the entire currency of the loan (hitherto the discount form of lending on a note had been permitted in loans up to a full year), and for any period during which the loan was not repaid after the due date, 6 per cent might be charged—legal proceedings for recovery not to be delayed beyond one month from the due date.

The threatened abolition of the 5 daler note had been postponed from the end of 1850, first for one year, and later for a further three years. The right to the continued issue of these small notes was now definitely granted by the decree whose new provisions are here summarized.

In the years 1856 and 1857 the charters of all the eight then existing enskilda banks were renewed, and four additional charters were granted, one in 1856, three in 1857. The varying designations of these banks which had been employed during the preceding period were now unified, and all were called by the one official name "enskilda" banks. The opening of the Stockholm Enskilda Bank in 1856 is recognized as marking a new era in the history of this class of bank. Its founders had recognized that the system of district banks was not destined to endure for very long when the new stipulations of 1855 were imposed on them. They had themselves applied in 1852 for a district bank charter unsuccessfully. The subscription list needed to remain open only two days in February, 1856, and, the charter having been granted on July 1, to date from September 1, business was begun on October 15. As already related, the capital was entirely paid in in cash, and 60 per cent invested in interest-bearing securities by

the directors, bringing the bank into a position similar to that occupied by other banks the subscribers to whose shares deposited securities for a part of the face value.

The articles of association of the Stockholm bank have served as a model for imitation by those which were established later. The rules defining its operations included the following:

"The bank shall buy and sell bills of exchange and interest-bearing securities, and lend on merchandise, shares, or other collateral which may be judged by the directors to give full security to the bank. Only in the last resort shall loans be granted on personal guaranty, in the discretion of the directors, and never to a higher total amount than the tenth part of the subscribed capital * * * No loans shall be granted for a longer period than six months."

The purpose of the bank's founders was to facilitate the circulation of money in the most general sense of those words. Hitherto none of the banks had developed the deposit business. When funds were needed, means were taken to secure them partly in the shape of special loans which the bank did not seek to retain as deposits when the immediate need had passed, but the general practice of deposit banking was, to all intents and purposes, introduced by the Stockholm bank. Similarly with current accounts, for which the banks had offered small inducements. Printed forms for bills of exchange, receipts, etc., were not provided, and, in view of the lack of so many of the ordinary facilities of modern banks, it can be readily understood what a field of enterprise lay open for exploitation to the new bank and its imitators. The public had

to be taught to use the banks, and to come to regard them as necessary intermediaries in all business affairs. Hitherto the loans of the enskilda banks had been mainly granted on securities not readily realizable or promptly liquidated, while the funds of the new bank were employed in the most regularly liquidated forms of short term loans, aiding commerce while giving a greater security to the lending institution.

The issue of notes was not regarded as a source of important profits, which were sought through the development of the deposit business, for which the metropolis offered so fruitful a field. Most of the deposits are made for long periods, so as to secure the highest rate of interest from the bank, and thus the bank has a security in using its deposit fund which does not accrue to deposits largely repayable on demand. Already by the end of 1858 the deposits reached nearly 6,000,000 dalers ($1,600,000) and the current-account balances over 3,500,000 dalers. Outstanding loans amounted to over 7,000,000 dalers, the balance after repayment of three-fifths of the loans made in the course of the year. All this was achieved while the capital was 1,000,000 dalers, of which only 400,000 dalers in cash had been retained for working capital, and the note issue was barely 1,150,000 dalers. The net profit of the year was 228,660 dalers, from which the shareholders received a 5 per cent dividend, the balance being transferred to reserve. Within twenty years the dividends increased to 20 per cent, and the reserve fund grew so large that, on the renewal of the charter in 1875, the new capital was doubled by the issue to shareholders of two shares of 1,000 dalers for each one previously held of the

same face value. Besides the head office, branches were opened in various parts of Stockholm.

The example set by this bank served to stimulate development on the part of its fellows, as well as securing imitation from the later-founded banks. As a bank of deposit it retains a leading position, and apart from the Riksbank, but three other banks have a larger balance-sheet total to-day, or can show larger deposits than the Stockholm Enskilda Bank.

An important new departure initiated by this bank in 1858 was the "bank-post bill" (*postremissvexel*), which was speedily copied by other banks and has secured for itself a very large place in the banking transactions of Sweden. It is a draft by one bank or branch of a bank on another, and, when it had once secured general acceptance, became an important supplemental means of circulation alongside of the bank note. Unlike the bank-post bills in use in other countries, those of Sweden are payable on demand and not subject to any deduction by way of discount. The form of the bill was generally that of a draft, sometimes that of a promissory note. Sometimes the bill bears on its face the statement that it will be cashed at all the branches of the issuing bank, sometimes that it may be cashed at most of the banks throughout the country, the latter having come to be the fact, even though no definite contract to that effect should have been made between the issuing bank and certain of the others. All the enskilda banks without branches in Stockholm have in that city an agent for effecting payment of post bills (and formerly of notes also). These bills serve for remittances between banks

in settlement of balances, and have secured a sufficient reputation to be accepted in neighboring countries with much readiness.

Printed or engraved forms are in use for these bills, the drawer's name being printed, and they are drawn for uneven amounts, always to order, and transferable by indorsement. They are generally drawn on a bank in Stockholm. Their period of circulation is short, so that the outstanding mass is much smaller compared with the new issues made in a year than is the case with bank notes.

In many respects they resemble the bank money orders of the members of the Bankers' Association or express money orders, though the practice of charging a commission on them, never general, has ceased long since.[a] The issuer secures his profit through the interval between issue and presentation, and even when the charge for the credit with the drawee bank is considered, the issue of post bills in making a loan insures a higher rate of interest received than that paid. Though the check system is known and practiced in Sweden, the bank post bill provides an almost invaluable facility to the business community. Even accepted checks do not present, in the United States, the combined security and convenience of the Swedish bank post bill, which has practically the security of an accepted check, and is free from charges for collection. The development of the deposit system by the banks was a source of considerable jealousy and discontent on the part of private individuals who had previously

[a] This is true of the bills issued at the Stockholm offices of the banks, and at any rate of those below a certain value issued at other places.

secured loans directly from other private individuals, and now found the banks attracting, by higher rates, greater security, and less trouble, the funds hitherto available for private loans. The growth of the deposit business was, in fact, in part a transfer to banks of business previously conducted without their intermediation, not wholly the creation of a new business in borrowing and lending. Borrowers found themselves compelled to accept from the banks harder terms and shorter loans than they had before secured direct.

So far as the business in inland bills of exchange is concerned, attempts in 1835 and 1851 to encourage enterprise by bringing the law regarding such bills more into correspondence with the needs of trade were not wholly successful, though the provisions of the latter law permitted the development of the bank post bill. It was not till borrowers had learned to meet their bills promptly, and to be content with shorter terms of borrowing, and the banks had instituted discrimination against mere accommodation bills in favor of those representing actual business transactions, that the inland bill business could flourish. These defects are not wholly uprooted in Sweden or elsewhere, but their partial removal was necessary before banks could handle inland bills reasonably freely. A law of 1869 replaced an older commercial custom by the legalization of ordinary acceptance on a bill, and contributed much to increase their use, to the mutual advantage of merchants and manufacturers on the one hand and their customers on the other.

Before the expiration of the enskilda bank charters,

renewed for ten years in 1856, the definite decision which brought the district banks to an end had been taken, as already related, and the law applicable to enskilda banks also underwent revision. Among the influences tending to secure a prolongation of all essential privileges to the enskilda banks may be counted a mistrust, even among some who were not very friendly to the enskilda banks, of monopolistic power in the hands of the bank which was controlled by the legislative body. The security of the public required some further restrictions on the institutions which provided an important part of the currency, but, when that was adequately provided for, the greatest possible freedom appeared desirable for the banking institutions.

The proposals of the Parliament were only partially adopted in the royal decree of May 20, 1864, which, repealing the earlier statutes of 1824, 1846, and 1855, instead of supplementing them, as on previous occasions, substituted an entire new body of ordinances respecting note-issuing private banks. It will be sufficient here to note the leading new features of the legislation of 1864.

1. The ordinary shareholders must be Swedish citizens.

2. With the ordinary shareholders might be associated others who, unlike the first, might enjoy the limitation of their liability to the capital subscribed. These shareholders *en commandite* might subscribe a capital not exceeding the half of that subscribed by the ordinary shareholders. They possessed voting rights in the general meetings of the company only in respect of the election of auditors, and were eligible for election as such.

3. While the transfer of ordinary shares needed to be assented to at a general meeting of the company, limited shareholders might transfer their holdings on notifying the management and in accordance with standing rules on the subject.

Retirement of ordinary shareholders, or the entry of new ones, must be advertised in the Official Gazette and recorded in the register of the county court of the district.

A register of shareholders and their holdings was required to be kept at the bank and to be open to inspection by all.

4. Within a year of starting business the entire subscribed ordinary capital, and that *en commandite* within a year of closing the subscription, was required to be paid in in cash (legal tender), the charter being forfeited for failure to fulfill this stipulation. From 60 to 75 per cent of the ordinary capital, as might be determined by the company, was to be invested in securities to be placed in a publicly controlled depository; the securities to consist, to at least one-third in value, of readily realizable interest-bearing bonds and, for the remainder, of mortgages on real estate not exceeding one-half the valuation, in rural districts the last tax valuation, in towns the fire-insurance valuation, in the latter case the property being required to be insured in an officially recognized fire-insurance company. The validity of the securities was to be approved both by the company and by the Crown's local representative, or an agent acting on his behalf. The substitution for any part of the deposited security of new collateral to be similarly approved.

The safes in which the securities were deposited were required to be provided with separate locks, to which the bank's management and the Crown's representative should, respectively, possess keys.

5. A shareholder elected as director was required to deposit with the bank at least one share certificate, there to remain so long as he should continue a director.

Withdrawal from the functions of director to be subject to the assent of a general meeting, and a director so retiring to remain responsible for the business arrangements in which he had shared until the next regular audit and subsequent approval of the accounts by a general meeting.

6. The names of the directors and of those entitled to sign bank notes, etc., on behalf of the company to be notified to the local representative of the Crown and advertised in the Official Gazette.

7. The names of ordinary shareholders, having unlimited liability, were not merely to be duly registered in the county court in the case of a newly formed bank, but also advertised in the Official Gazette.

8. Before the issue of notes could commence the deposit of securities, as mentioned in paragraph 4 above, to at least 25 per cent of the ordinary capital, was required to be duly attested, and the blank forms of the notes submitted for approval to the department of finance.

If the capital subscribed *en commandite* were desired to be made the basis of extended note issues, the provisions set out in paragraph 4 above were to be applied to this part of the capital also.

9. In case bank notes should not, on presentation, be redeemed in coin or notes of the Riksbank, the holder was

to be entitled to interest at 5 per cent per annum from the date of refusal till the date of redemption.

10. The bank was to be entitled, with the consent of the Crown's local representative, to realize part of the capital security specified above (see paragraph 4), the issuing rights to be diminished by the sum thus realized and the collateral to be replaced as speedily as possible.

11. Should the annual audit of accounts show that the reserve fund and 10 per cent of the ordinary capital was lost, liquidation of the bank's affairs was required unless a special general meeting of shareholders, summoned for the purpose, should resolve to subscribe within three months a sum sufficient to restore the capital to its former amount.

The law of 1864 was again revised in 1874, this time with full accord between the King and the Parliament. The alterations were few, and may be briefly summarized as follows:

1. In reference to the securities deposited under public control, representing a part of the capital, the upper limit of 75 per cent was omitted.

At least half, in place of a third, were to be in readily realizable interest-bearing bonds.

2. Monthly, in place of quarterly, accounts were to be rendered to the finance department, according to a form to be determined by that department, to which the rights previously exercised on behalf of the Crown as to securing information regarding the bank's affairs were now assigned.

3. Notes might be issued on the security of the reserve fund as well as of the capital, so far as represented by the class of securities required for the capital-guaranty fund, such securities being likewise placed in the public depository.

The provision that securities held against credits opened might serve as backing for notes was replaced by a provision that the commercial assets (claims due) might so serve, but with the stipulation that the bank should hold at least 10 per cent of the amount of its capital in gold coin of the realm.

Any excess above the 10 per cent, and gold bullion or foreign coin, might also serve as note backing.

Deposits with the Riksbank no longer appear as among the items determining the extent of the note issues allowed.

A breach of the provisions as to the limitation of the amount of notes outstanding, if not remedied within ten days, was to involve a fine of 1,000 kronor for each day the excess existed. Repeated breaches of these provisions might involve forfeiture of the note-issuing privilege.

4. Permission to issue notes of 5 and 10 kronor in value was granted only provisionally.

5. The notes must be redeemed in gold coin of the realm on presentation. Interest for any period during which notes were not so redeemed to run at 6 per cent per annum.

6. Should part of the securities deposited as capital guaranty be realized, as before provided, to meet bank notes presented for redemption, the diminution of the

permissible maximum issue to be one and one-half times the amount so realized.

It may be noted here that, at the end of 1875, one bank is recorded as having exceeded its legal limit of issue, though not for long enough to incur a fine.

The point of greatest importance in the new law is the requirement of redemption in gold coin. It was the new mint law of 1873, establishing the gold standard in Sweden, which led to this change from redemption in notes of the Riksbank to redemption in gold, and this provision was that which encountered the greatest opposition. The notes of the Riksbank had so long (since January 11, 1726) been legal tender that even a partial dethronement from that position could not be accepted readily. It involved, of course, an increased holding of gold at the head offices, which alone were liable to redeem bank notes, the branches being free from this liability. The exclusion of the Riksbank note from the power to redeem legally an enskilda bank note carried with it the exclusion of balances held at the Riksbank from the legal note backing. Returning for a moment to the position created by the decree of 1864, it is to be noted that in that year alone eight new charters were granted. Two of these banks ceased independent operations within a comparatively short time, one of them being absorbed after three and one-half years by the oldest of the enskilda banks, which operated in the same town in which the new bank established itself. The other was similarly absorbed by an enskilda bank dating from 1856 after nearly nine years of independent activity. Through the forgeries of a client, it suffered severe losses (in which other banking institutions were

also involved), and in 1869 a general meeting of shareholders resolved on a combination with another enskilda bank in the same town. Neither note holders nor shareholders suffered any loss through the liquidation of its affairs, concluded in 1874.

In 1865 four new enskilda banks were chartered, so that, after standing at 12 from 1857, the number was doubled in the two years 1864–65. In 1866 yet another bank was chartered.

In charters granted after this date there was included a new provision, namely, that the banks thus established should subject themselves to any new regulations which might be imposed on enskilda banks, without awaiting the determination and renewal of the charters. For the earlier banks new stipulations could only be imposed on renewing the charters.

In 1868 two new charters were granted, in 1869 one, and in 1873 one. The next fell into the period governed by the law of 1874, being granted in 1876. Only one later charter was granted, namely, in 1893.

The control of the department of finance, for which provision was made in the law of 1874, was carried out by the appointment of a special officer, called the inspector of banks, in 1877. From 1868 there are printed records setting forth a brief summary of the annual balance sheets, and the quarterly accounts, provided for in 1846, which are also printed, beginning with those of December, 1866. From 1871 the printed record is partly a brief monthly account, partly a fuller quarterly statement, and from 1875 a tolerably full monthly statement has been printed.

The control of the inspector could not, of course, prevent all abuses. In one case, a bank which had been established for twenty years, and secured a prolongation of its charter for a third term, was brought to ruin by frauds on the part of a director extending over a term of years. He had succeeded in keeping from the knowledge of all other officials, except perhaps a cashier who died before the matter was cleared up, the fact that he was using large sums, both of old notes supposed withdrawn from circulation and destroyed, and of new notes issued without the knowledge of those who should have controlled their issue, to support a sugar factory in which he was interested. The details of the case need not be enlarged upon, but it may be mentioned that the director in question was sentenced to six years' hard labor. The bank disappeared from the list after 1878. No call on the unlimited liability of the shareholders was necessary.

It may be remarked in this place, as of interest in its bearing on the public estimation which the notes of the enskilda banks attained, that in 1869 the Riksbank began to accept them in payments. It is, perhaps, rather to be remarked that their acceptance by the central institution should have been so long delayed. As the circulation of the Riksbank had been exceeded by that of the enskilda banks by this time, not occasionally only, but as a regular phenomenon, the position of the enskilda bank note could not but receive recognition.

The suppression of the enskilda bank note of 5 kronor was resolved on as from December 31, 1879. That is, all such notes presented after that date at the banks were retired, and no new ones issued. As a compensation to the

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issuers for assisting in the work of retiring these notes, under certain conditions they were granted discounts on favorable terms at the central institution, the 5-kronor notes of that institution being placed at the disposal of the enskilda banks in this way to a maximum amount equal to the average of their own circulation of such notes in the preceding twelve months. The rate of discount arranged, for three-months' bills, was, for 1880, 2 per cent, and for 1881 to 1884, 3 per cent, at the end of which period this special provision lapsed.

In 1879, about one-third of the total issues of the enskilda banks were in the 5-kronor denomination, about one-third in the 10-kronor, and one-third in other denominations. On December 31, 1879, notes to the value of 17,354,000 kronor in 5-kronor notes were outstanding. In nine months they were reduced to less than 2,000,000 kronor, and by April of 1881 to less than 1,000,000, the retirement of the residuum being a slower matter. The average total issues of their own notes by the enskilda banks were somewhat greater in 1880 and in 1881 than in 1879, and the increased issues of 10-kronor notes accounted for roughly two-thirds of the lapsed 5-kronor issues, the increase of larger notes balancing the remainder of the decrease. The increase of the 5-kronor circulation of the Riksbank's notes between the end of 1879 and the end of 1880 was less than half the decrease of the enskilda banks' notes of the same denomination, and in 1881 there was even a small decrease. The total circulation of this denomination of note, in fact, decreased as the first and immediate result of the cessation of issues by the enskilda banks. The issues of 5-kronor notes by these banks had averaged

over 14,000,000 kronor in value in 1879. The extent of the special discount facilities accorded by the Riksbank, as shown in the balance sheets of the central institution at the end of the years affected, 1880 to 1884, varied from 8,500,000 kronor to over 9,500,000 kronor.

The precise place of the 5-kronor note in the fluctuations of the circulation, month by month, while this denomination was issued by the enskilda banks, cannot be determined, as the distinction of notes of various denominations begins only with April, 1879. Thus the figures for the end of the years can afford but a partial view of the relative importance of these small notes. The outstanding issues at the end of 1879 were larger than usual in comparison with those of the other months of the year.

In the years immediately following the restriction of the denomination of notes permitted to the enskilda banks the issues of the Riksbank increased relatively to those of the enskilda banks, as might be expected. The following comparative table is based on the figures for the end of each quarter of the years named, and presents the relative positions before and after the change:

Percentage of the total note circulation issued by the Riksbank and the enskilda banks, respectively.

Year.	Riksbank.	Enskilda banks.	Year.	Riksbank.	Enskilda banks.
1875	38.7	61.3	1879	40.2	59.8
1876	33.7	66.3	1880	43.4	56.6
1877	33.3	66.7	1881	42.4	57.6
1878	36.3	63.7	1882	41.3	58.7
Average	35.5	64.5	Average	41.8	58.2

These figures suggest that the loss of the privilege of issue of 5-kronor notes by the enskilda banks gave a temporary setback to their note issues. How far the economic conditions of the time, affecting, perhaps in a different manner, the fields of activity of the different institutions, may have contributed to the movement shown cannot be determined.

The association with the ordinary shareholders, subjected to the unlimited liability of a partnership, of others enjoying limited liability, appears to have occurred first after the new ordinance of 1874 came into force. Three of the banks issued a small amount of such shares in 1875 and 1876, all paying, at first, 6 per cent to these special shareholders—preference shareholders, one might perhaps call them—while the ordinary shareholders were receiving higher dividends.[a] In 1886, on the renewal of charters, one of the three, while largely increasing its ordinary capital, reduced its preference shares to less than one-half, and the rate paid on them to 5 per cent. A second slightly adjusted the amount of preference and ordinary capital. At the end of 1888 the former paid out the preference shareholders entirely, and a year later a further small reduction in preference shares took place in the second, while the two banks still retaining such shares reduced the rate paid on them to 5 per cent in 1889.

The total of preference shares remained at 1,000,000 kronor till 1898, while the ordinary capital increased to over 60,000,000 kronor. In 1898 the Stockholm Bank, whose introduction of new methods forty years before had given

[a] In the case of one bank the preference shareholders shared equally with ordinary shareholders when the dividends of the latter exceeded 6 per cent.

such a stimulus to Swedish banking enterprise, added to its 6,000,000 kronor of ordinary capital (since doubled) 3,000,000 kronor of preference capital at 5 per cent. The following year two issues of 250,000 kronor each of preference capital occurred, both at 5 per cent, one by a bank not previously having that class of share, the other by one of the two which had had preference shares for nearly a quarter of a century. In 1904 one other bank introduced the preference share, but, as it entered into combination with an ordinary joint-stock bank two years later, its experience as a bank *en commandite* was short. In 1899 and in 1905 one of the two oldest of the banks of this class increased its preference capital by 250,000 kronor on each occasion, and it now stands at 1,000,000 kronor, one-fifth of the total share capital. In 1906 the other of the two oldest *en commandite* banks added 250,000 kronor to its shares *en commandite*. The reduction of the preference dividend by the Stockholm Bank to 4½ per cent in 1904, and the disappearance from the list of enskilda banks in 1905 of the only other which had this form of capital (having had it since 1899 only), completes the record of the actual use of the powers to admit limited shareholders in banks with unlimited liability imposed on ordinary shareholders. At the end of 1908 the ordinary capital of the 17 then remaining enskilda banks amounted to 113,750,000 kronor, the preference capital to 4,750,000 kronor, issued by 3 banks only, the reserve funds being nearly 74,000,000 kronor and surplus over 14,000,000 kronor. The final stage in the cessation of the note-issuing privileges of the enskilda banks is dealt with later on in the

completion of the account of the Riksbank's position. Here it need be referred to but briefly. The discussion of plans for the concentration of the note issues in the hands of the Riksbank proceeded no less actively than had been the case for half a century at least, but no agreement was arrived at till 1897. Meanwhile a preparatory step was taken in arranging for the concurrent termination of all the enskilda bank charters at the end of 1893, those which did not normally lapse at that date being renewed for less than the ordinary term of ten years.

As recorded later, the final arrangement, effected in 1897, contemplated the entire cessation of enskilda bank issues with 1903, and an arrangement generally similar in purpose to, though more extended in scope than, that made in 1879 in regard to the withdrawal of 5-kronor notes, was effected. The terms of this arrangement were revised in 1901, considerably to the advantage of the enskilda banks. The Riksbank was empowered to make terms with the enskilda banks for their withdrawal from the business of note issuing earlier than the end of 1903, when they were to lose the right to carry it on. The terms set out in the law of 1897 became effective only in the case of one bank which was converted into a limited liability banking company at the end of 1898, that is to say, at the date when the act of 1897 came into force.

The revision of the terms offered to enskilda banks as the price of an early abandonment of note issues, authorized by a law of May 3, 1901, was quickly effective in securing a commencement of the process of transference of issuing rights to the Riksbank. The terms of the bargain are stated later in this account (pp. 90–93), and it is

sufficient here to describe them as an offer of loans for a term of years at relatively low rates of interest by the Riksbank to the several enskilda banks, in proportion to to the extent of their note circulation at the opening of the year 1901, on the condition that all the branches or offices which were open at the beginning of 1896 should be maintained. Similar advances were to be made even to the banks which adhered to their note-issuing privileges till their legal termination at the end of 1903, as partial compensation for the cessation of the privilege of note issue. What is particularly worthy of note is that the facilities thus offered were judged by the enskilda banks to be worth while accepting as the price of an earlier termination of issue of their own notes. In effect they were a means of substituting the Riksbank notes for the enskilda bank notes.

The oldest and most important of the enskilda banks was the first to accept the terms, and though the law was only promulgated early in May, 1901, this bank ceased to issue its own notes from the end of June. Its issues had amounted to nearly 10,000,000 kronor, or fully one-eighth of all the enskilda bank notes outstanding at the end of June, 1901. Three months later four other banks followed suit, their aggregate issue somewhat exceeding that of the bank first mentioned. In the course of 1901 and 1902 arrangements were similarly made with most of the other enskilda banks, and in January, 1903, the outstanding notes of enskilda banks but little exceeded one-quarter of the aggregate of two years earlier, while only three banks were still issuing their own notes. By about the middle of 1903 these three had also entered into arrange-

ments for anticipating the legal cessation of their note issues, so that by the end of December, 1903, the notes not yet retired were little more than 5 per cent of the enskilda bank circulation at the end of 1900.

The retirement of the remaining notes proceeded as rapidly as they were presented at any bank. The circulation of Riksbank notes advanced so rapidly meanwhile that the total circulation at the end of 1903 was over 10 per cent in excess of that at the end of 1900. A law of June 7, 1889, had paved the way for a reasonably rapid withdrawal of the notes of the enskilda banks from circulation by providing for the issue, on application by any such bank, of a royal proclamation requiring all holders of notes of the bank in question to present them for redemption within two years of such proclamation, after which date all right to payment should cease. The issue of such a proclamation was provided for, however, only in the case of banks which had not become insolvent. The powers were exercised in the case of various of the banks which were transformed from unlimited to limited companies. The proclamations were required to be read in the churches and published in the Official Gazette. Under these arrangements, all enskilda bank notes ceased to be legally current after the end of March, 1906.

Of the 27 enskilda banks existing at the date of the passing of the law conferring the monopoly of note issue on the Riksbank, 17 still continue as banks with unlimited liability, 10 have either been converted into ordinary joint-stock banks, or been absorbed by such banks, or by other enskilda banks. The capital represented by these 10, reckoned as at the beginning of the last year of their opera-

tions as enskilda banks, was 47,850,000 kronor, and the total of capital, reserve, and surplus was 75,750,000 kronor. The increase of capital of the remaining enskilda banks has, however, fully offset this decrease, the amount at the end of 1908 being 118,500,000 kronor of share capital, and 88,000,000 kronor of other proprietors' funds, as against 73,250,000 kronor and 33,750,000 kronor, respectively, ten years earlier.

As already stated, one enskilda bank was converted into a limited-liability bank at the end of 1898. Others took the same course later, one in 1901, three in 1902, two in 1904, and one in each of the years 1905, 1906, and 1907. In each year since 1897 the total amount of the dividends distributed by the enskilda banks has been larger than in that or any earlier year. Comparing the five years following 1898 with the five years ending 1908, the results shown are as follows:

Average Proportion of Profits and Expenses to Capital.

	1899–1903.		1904–1908.	
	Ordinary share capital.	Total proprietors' funds (capital, reserves, and surplus).	Ordinary share capital.	Total proprietors' funds (capital, reserves, and surplus).
	Per cent.	*Per cent.*	*Per cent.*	*Per cent.*
Gross profits	24.9	14.5	24.5	13.0
Expenses	8.7	5.1	7.5	4.0
Net profits after deducting writings down	13.8	8.1	13.9	7.3
Dividend to ordinary shareholders	9.7	5.7	11.3	6.0

The capital has increased by 30 per cent in the interval between the two periods here represented and the total

of proprietors' funds by 45 per cent, in spite of the reduction of the average number of banks in operation from 25 to 19. In some cases ordinary joint-stock banks have been absorbed by enskilda banks, thus partly offsetting the movement in the contrary sense.

The banks are no longer limited by the requirement of setting aside, as a kind of guaranty fund for note holders, 60 or more per cent of the subscribed capital, in the form of approved securities, mainly of the easily realizable variety, and therefore yielding a relatively low return; neither are they required, as before, to keep 10 per cent of their capital in gold. The gold holdings have, in fact, been reduced to mere till money, and the cash reserves are now formed of Riksbank notes, supplemented by deposits or credits at the Riksbank, drafts on which serve many of the purposes of cash in hand.

The comparison of conditions before and after the loss of note-issuing rights is not necessarily indicative of the results of this change in the privileges and obligations of the banks. The period is one which has witnessed great expansion all over the world, and in Sweden as well as elsewhere, so that the growth of banking business is related to this industrial and commercial movement, as well as to the local legislation. It is clear that capital has been forthcoming in substantial amounts for enlarging the operations of banks, both with unlimited and with limited liability. On January 1, 1904, there were 20 ordinary joint-stock banks with a capital of at least 1,000,000 kronor. Five years later there were 28 such banks, including those into which certain of the

enskilda banks had been transformed or absorbed. The capital had increased by 96 per cent in the five years and was 211,000,000 kronor at the end of 1908. Adding reserves, the total of proprietors' funds was a little over 325,000,000 kronor, an increase of 92 per cent in the five years. The enskilda banks which were absorbed in the interval had, at the time of absorption, capital and reserves amounting to about a quarter of the increase shown in those of the joint-stock banks. Apart from the effect of these transfers from the one group of banks to the other, the limited banks do not appear to have increased their capital more rapidly than the unlimited. The latter have, apparently, appealed to subscribers no less favorably than the former. The preceding table appears to reflect some relative reduction of expenses, a somewhat larger appropriation to writing down the value of assets, and somewhat better results for shareholders since the cessation of private note issues. But, as remarked above, these results can not be dissociated from the condition of business in the years included in the comparison. The writings down in 1907, and to a less degree in 1908, absorbed large sums. But, allowing for the change in the number of banks, the sums paid as dividends were not reduced, though, as the capital on which they were paid was largely increased in 1907, the average rate fell from 13½ per cent in 1906 to 9⅔ per cent in 1907 and rose to 11 per cent in 1908.

The reserves (including surplus) of the enskilda banks have been strengthened, relatively to the capital, in the years covered by the above table from about 70 to over

90 per cent, and are much in excess, relatively, of those of the limited liability banks, the proportion for which is about 55 per cent. The average capital of the unlimited banks is about 7,000,000 kronor, as compared with 7,500,000 kronor for the limited banks, the average amount of proprietors' funds being not very different, namely, 11,600,000 kronor for the limited, 12,100,000 kronor for the unlimited banks. In 1897, when the new law was passed, the 27 unlimited banks then existing averaged under 4,000,000 kronor of proprietors' funds, and the 11 limited banks of that date which had each over 1,000,000 kronor of capital averaged a trifle over 5,000,000 kronor of proprietors' funds. At the beginning of the following year there were 15 such limited banks, with an average of about 4,700,000 kronor of proprietors' funds.

The growth in the number of the ordinary banks, and in the importance of the banks of both classes, is reflected in these figures. But they do not suggest that, relatively, the unlimited banks have suffered seriously by the loss of the right of note issue. The position both of the private banks and of the Riksbank during the year 1907 will be examined somewhat more in detail later.

The provisions of the new law regulating the unlimited banks are stated in Appendix III.

It should be mentioned that the rights of note issue were not enjoyed by the enskilda banks without some payment to the funds of the State. The Parliament of 1859–60 imposed a tax at the rate of one-fifth of 1 per cent on the maximum circulation of each year as the price of the privilege of issue. Ten years later the rate was raised to

one-half of 1 per cent, and during the latter part of the duration of the right of issue it stood at 1 per cent. It is clear that the banks, in accepting the terms offered for conceding the monopoly of note issue to the Riksbank, could not but be influenced by the knowledge that their gains from the note issues could be absorbed by the State by the simple process of raising the rate of this tax. They chose rather to be bought out than taxed out of their privileges.

CHAPTER V.

THE LATER HISTORY OF THE RIKSBANK.

As already stated, the Riksbank was put on a new footing in 1830, when the circulation of the bank's notes at 37½ per cent of the silver represented by their face value was authorized. Its capital was fixed at 4,400,000 bank dalers, or 6,600,000 dalers currency, the balance of an advance made to the State for war purposes in 1808. On the resumption of specie payments in 1834 it was found possible to provide a capital fund of 7,500,000 dalers currency, which was increased to 15,000,000 from January 1, 1845, by a transfer from the reserve fund which had been accumulated in the meantime. In 1864 the capital reached 25,000,000 dalers, 30,000,000 kronor in 1879, 35,000,000 in 1882, in 1885 40,000,000, in 1890 45,000,000, and it was fixed at 50,000,000 kronor, which it had reached in 1893, by the law of 1897. The fixed reserve fund remained at 5,000,000 kronor from 1873, when it was first reached, till 1900. At the end of 1902 a special fund of 12,500,000 kronor was constituted out of reserved earnings for a special class of loans, and by the end of 1908, in addition to a reserve fund of 10,419,000 kronor, an almost equal sum in surplus, not definitely assigned to the reserve fund, was able to be shown in the balance sheet. Thus a sum of 83,323,708 kronor (say $22,220,000) represents what, in privately owned banks, would be proprietors' funds employed in the

business. This has been accumulated entirely out of profits, and that in spite of the constant payment of a large share of those profits to the public funds. Thus, of the net profits of the years 1835–1839, the national debt office received 70 per cent, though of those of the following four years it received none. For 1844–1847 and again for 1851–1853 and for 1860–1865 it received a very large part of the profits, while for 1867 it received the whole of them.

While the bank gradually struggled to accumulate the capital of 25,000,000 dalers originally contemplated in 1830, and only attained it in 1864, the reserve fund originally intended not being attained for another decade, the national debt office was assigned 26,500,000 dalers of profits to the 17,500,000 dalers reserved for adding to the bank's capital. In the next ten years 1865–1874, 11,000,000 out of 18,000,000 kronor of net profits were assigned to the national debt office; in the ten years 1875–1884, the bank retained 13,000,000 kronor and the national debt office was assigned over 12,500,000, and in the ten years 1885–1894, of nearly 28,500,000 kronor of net profits the bank was allowed to retain only about 7,500,000. In the years 1898 and 1899 the entire net profit was added to the resources of the bank, in preparation for the larger responsibilities it was about to undertake. As a result, of the net profits for the nine years 1895 to 1903, only 18,500,000 kronor were paid to the national debt office, while 14,500,000 were employed in strengthening the position of the bank. For the five years during which the note monopoly has been enjoyed by the Riksbank, while about 3,750,000 kronor have been added to the resources of the

bank, the national debt office has had assigned to it nearly 34,000,000 kronor (about $9,000,000) of bank profits. Now that an adequate capital and reserve has been accumulated, the payment of a large share of the ample profits to the State is not open to the criticism naturally directed against that course when the bank was building up its resources out of the yearly gains. In seventy-five years, the national debt office has received, of the profits of the bank, a sum of $33,000,000 (United States currency). Allowing for the value of the premises and bank furniture, not assigned any money representation in the bank's balance sheet, it may be said that about three-fifths of the net profits have been paid over to the State.

Rules limiting the proportion between cash holdings and circulating notes were framed in 1830 requiring the provision of a cash fund not less than five-eighths of the circulating notes. In 1834 this was modified to a two-fifths proportion, but even this could not be maintained, and in 1843 the cash actually fell to only one-third. Under the influence of the English bank act of 1844 new regulations were substituted for the old in 1845. On condition of holding at least 10,000,000 dalers currency in cash, a fiduciary issue of 30,000,000 dalers was permitted—a regulation much more easily observed. The regulations of 1830 had fixed the minimum cash holding at 8,000,000 dalers currency (2,000,000 silver), so that the requirement of 10,000,000 was a raising of the limit. Moreover, in lowering the proportion of the cash at its minimum to the circulation there was included in the latter not merely notes but also the amount due on deposits, on which no

interest was at that time paid. The balance of credits granted, but not drawn out, being a demand obligation, was also included. Thus the change was not calculated to induce so weak a position as appears at first sight. Notes in excess of the fiduciary 30,000,000 dalers and the 10,000,000 dalers against coin and bullion held in Sweden might be covered by metal en route from abroad, by funds of the bank on deposit in Hamburg or Altona, and by bills on Hamburg or Altona at not exceeding sixty-seven days' currency. Later the currency of bills available as cover was extended to ninety days and Berlin and London included as places at which they might be payable, while in 1866 foreign bills generally were admitted. This provision of bills of exchange as cover for circulation was used in 1857 as a means of evading the strict intentions of the law. Though there was no run on the bank, its cash decreased very rapidly between the end of 1855 and the middle of 1857, owing to remittances abroad. It had stood at about 19,000,000 dalers in 1850–1852 and from that had increased to 52,000,000 dalers at the end of 1855. By the middle of 1857 it had fallen to 25,000,000 dalers, and, though the rapidity of the fall was checked in 1858, it reached 16,700,000 dalers at the end of 1859. The funds of the bank being to a large extent tied up in long-period loans, the reserve could not be replenished or the proportion of cash assets to obligations increased by the process of calling in these loans. Commercial loans had to be restricted if the limit of issue was not to be exceeded, and the strain of the restriction was severely felt. An association was formed among certain members of the exchange for mutual assistance, and they presented for discount to the

Riksbank bills for large amounts drawn on a Swedish merchant who paid a visit to Hamburg. As the issue of notes against these bills did not touch the fiduciary issue, drafts on Hamburg being legal cover for the notes, funds were thus provided to meet the need, and a state loan of 12,000,000 dalers being raised abroad at this time, the difficulties of the situation were met, bankruptcy averted, and the losses of the bank due to the crisis kept down to a modest amount.

The difficulties arising out of the fact that the bank was controlled by the legislative authority, without the right of supervision on the part of the executive, had formed, naturally, the subject of numerous discussions. The old plan of bringing in the interest of private shareholders to exercise more effective control was discussed anew. The constitution imposed an obstacle in the way, which was ingeniously avoided in the proposal of an important committee, whose report was made in 1860, to divide the bank into two parts, following the general lines of the division of the Bank of England in 1844. The issue department, retaining the name of the Bank of the Estates of the Realm, would fulfill the terms of the constitution in remaining under the control and guardianship of the Parliament solely. The banking business proper was to be assigned to an institution in which it would be possible, if desired, to join private capital with that of the State.

This proposal, however, was not accepted and realized, though the discussion of the situation had its influence on the legislation of 1864 for enskilda banks. In 1872 the use of bills on foreign places as cover for demand obligations was discontinued, and the balances of credits granted but not fully used were excluded from the sum against

which cash cover was needed, though current-account balances remained a part of that sum. The cover available from that time was, in addition to the actual metal in hand, precious metals held abroad or in transit for account of the bank and balances due from bankers and mercantile houses abroad. The value of silver coin, after 1873, was required to be taken only at 90 per cent of its face value and of silver metal at rates to be determined by the managers of the bank, and, naturally, related to the current market value of silver.

The strict provisions of the law were overstepped, in regard to the minimum metal reserve, in 1869 and in 1870. In the former year the metallic reserve fell below 10,000,000 dalers in twenty-six weeks, and was at one time just under 8,500,000 dalers. In 1870 there were two weeks when the metal reserve was under the legal minimum. The note issue exceeded the legal maximum on one occasion, namely in the weekly account of September 30, 1873, but was already 3,500,000 dalers under the legal maximum in the following week.

As means of defending the reserve, the bank's managers were instructed to undertake the following lines of business: Dealing in gold and silver and in foreign bills of exchange, and the purchase and sale of bonds and the debt obligations of governments. The right of raising loans abroad was also an important element in this connection, a right which had been included in the regulations of 1845, to the amount of 12,000,000 dalers currency. For such a loan the guarantee of the State followed on the approval of the Executive Government, without further formal

approval of the Parliament. In the preceding, the effect of a loan in 1857–58 has been noticed.

From January 1, 1880, the minimum metallic cash holding was raised from 10,000,000 to 15,000,000 kronor, and the maximum fiduciary issue to 35,000,000, while the limit of the foreign credit just referred to was raised from 12,000,000 to 17,000,000 kronor. The abolition of the 5-kronor note of the enskilda banks was closely connected with these measures for facilitating an enlarged circulation. It should also be stated here that the old notes of 1 krona had no longer been issued after the end of 1875, and the old fractional notes were gradually being withdrawn as they were presented for redemption. Till 1849 notes below the value of 1 krona (then called a daler), even as small as a quarter of a krona (6.7 cents), were issued.

In 1887 a further modification in the regulations was made, in that the balances abroad available as cover for notes were now required to be current-account balances, while interest-free deposits and the bank post bills outstanding, of which an account has been given above, were now excluded from the total determining the legal amount of cover to be held. Thus the regulations were made somewhat more stringent.

The fiduciary issue was also increased, subject to an increase of the metallic reserve. This reserve, four-fifths of which was required to be gold, in coin or bars, was in no case to fall short of 15,000,000 kronor, as before, but, should it exceed this amount, an increase of the fiduciary issue was permitted, not exceeding in all 10,000,000 kronor, making the maximum 45,000,000 kronor. The condition on which any part of this additional 10,000,000 of fiduciary

issue might be allowed was that the metallic reserve should exceed 15,000,000 kronor by 30 per cent of the amount by which the fiduciary issue exceeded 35,000,000 kronor. Thus, with a cash holding of 15,000,000 kronor, consisting of at least 12,000,000 gold and the remainder of legal silver coin taken, so far as that struck after 1873 was concerned, at 90 per cent of its face value, the issue might amount to 50,000,000 kronor plus the amount of the foreign current-account balances; with a cash holding of 18,000,000 kronor (not less than 14,400,000 gold) the total issue might amount to 63,000,000 kronor plus the amount of the foreign credit balances. For greater issues the excess was required to be completely covered by the metallic reserve in excess of 18,000,000 kronor. The actual rights of issue were by no means fully used. In 1878 and 1879 the total outstanding notes fell even below the permitted fiduciary issue, partly owing to the withdrawal of the old fractional notes. With the cessation of the 5-kronor notes of the private banks from the beginning of 1880, the outstanding circulation of the Riksbank increased, but even in 1890 the lowest of the monthly figures (end of April and July) were a little less than 40,000,000 kronor. From 1892 onward the circulation increased rapidly, and in 1899 the maximum and minimum were 56,400,000 kronor (February) and 75,200,000 kronor (December), respectively. In these seven years the average circulation of the Riksbank increased by 50 per cent, and the total note circulation of all the banks by 40 per cent.

After various efforts to arrive at a satisfactory solution of the problem of centralizing the business of note issue, as already related, a law was passed in 1897 by which

With greater stringency in certain respects, the expansion of the fiduciary issue to any required extent is thus provided for.

With these extensions of note issues, the capital of the bank was raised a year later by setting aside a sum of 12,500,000 kronor as a special fund for the class of loans repayable by installments at fixed periods. The amount devoted to this purpose had previously formed part of the ordinary funds of the bank, from which it has now been separated. The fact that these loans can not be called in to meet an emergency renders them unsuited as investments of the general funds of a note-issuing bank, and this difficulty was avoided in 1897 by limiting their aggregate amount, and from 1903 by separating the fund from which they were made from the general funds of the bank.

It may be noted, before passing to the provisions of the law which restrict the operations of the bank, that, at the close of 1908, the outstanding notes were, in round figures, 201,500,000 kronor ($53,750,000). The metallic reserve was 78,200,000 kronor, and the net foreign balances 26,300,000 kronor. Thus the legal fiduciary issue was 138,200,000 kronor and the issue covered by cash and net foreign credits on current account 104,500,000 kronor, a total of 242,700,000 kronor. The reserved rights of issue were, therefore, 41,200,000 kronor. The outstanding notes exceeded by one-third those of the Riksbank and the enskilda banks together a decade previously. It might be supposed that this growth would be accounted for by the fact that, now that the rights of note issue are no longer enjoyed by private banks, these latter find it

necessary to hold, as reserve, a large amount of the notes of the central institution. The amount of the notes held by the several banks is not stated separately from the fractional currency and the credit balances (on so-called "giro" accounts) at the Riksbank. The total of these at the end of 1908 for the 17 surviving enskilda banks was 19,200,000 kronor, or little more than 6,000,000 kronor in excess of the corresponding total at the end of 1898, and just under that for the end of 1901. Thus but a small part of the increase of issues seems capable of being accounted for by the substitution of notes for gold as reserves held by the enskilda banks. On the other hand, the gold held by the enskilda banks was steadily increasing during the nineties. At the end of 1898 it reached 9,000,000 kronor, while at the end of 1908 it was less than the fiftieth part of that amount. The gold held by the Riksbank had, meanwhile, increased by over 43,000,000 kronor, or nearly five times the amount by which that held by enskilda banks decreased. It thus appears that the equivalent of something like two-thirds of the increase of total notes outstanding in the ten years ending with 1908 has been, as a result of the centralization of the note issue in the middle of that period, added to the gold reserves of the country, while those reserves are now wholly centralized under the control of the Riksbank. From the point of view of those who believe that a stronger gold backing for the circulating medium was desirable, and indeed necessary for safety, the result must be regarded as eminently satisfactory. It is impossible to believe that, had the note issue remained in the hands of the enskilda banks, the addition to the gold reserves would

have been as substantial. As an example of the trend of events we may take the figures for the end of 1892 and compare them with those already used for the end of 1898. In that interval the aggregate note issue increased from 101,900,000 to 150,100,000 kronor. The total gold held increased from 24,000,000 to 40,200,000 kronor. Thus but a trifle over one-third of the increased note issue is represented in the increase of gold holdings. The outstanding notes of the Riksbank amounted to 44,000,000 kronor at the end of 1892 and to 70,800,000 at the end of 1898. Its gold reserve at the same dates was 16,800,000 and 31,200,000 kronor, respectively. Thus somewhat over one-half of the increase in its notes outstanding was devoted to strengthening the reserve. The enskilda banks had increased their outstanding notes from 57,900,000 to 79,300,000 kronor and their gold reserves from 7,200,000 to 9,000,000 kronor.[a] Of the 21,400,000 kronor increase in notes only 1,800,000 were devoted to increasing the gold reserve, the proportion of which to the notes outstanding was, in fact, decreased in the interval considered.

It appears, therefore, that both in the years more immediately preceding the final arrangement of the centralization of the note issues, and subsequently, the policy of the Riksbank has been directed toward the strengthening of the metallic reserves on which the preservation of the soundness of the credit of the country rests in substantial degree. It is also clear that the monopoly of note issue has conferred on the Central Institution greater power to attain this important end.

[a] The highest figure ever reached for enskilda bank notes outstanding was 83,600,000 kronor at the end of March, 1901. Their gold holdings at that date amounted to 9,500,000 kronor.

Of the other principal features of the revision of the law under which the Riksbank operates, three claim more particular notice: (*a*) The safeguards provided against the decrease of banking facilities as a consequence of the cessation of the note-issuing privileges of enskilda banks; (*b*) the limitations imposed on the kinds of business which the Riksbank may undertake; (*c*) changes in the bank's constitution.

(*a*) In reference to the first, two lines of action were laid down. On the one hand the number of branches of the Riksbank was required to be so increased that there might be one in each of the 24 districts into which Sweden is divided for local government purposes, excepting that immediately adjacent to Stockholm, for which the head office in the metropolis may suffice. The last of these was opened at Upsala in the course of the year 1903. An additional branch, making 24 in all, was opened in 1905.

On the other hand, as a partial compensation for the loss of note-issuing privileges, the enskilda banks were assured important financial support from the Riksbank on condition that they maintained all the offices which were in operation at the opening of the year 1896. Those banks which abandoned their own issuing privileges in the five years' interval preceding their legal cessation on December 31, 1903 (as has been seen all of them actually did so), were entitled, subject to the condition mentioned, to the grant of an open credit, against approved security, at 2 per cent under the current three months' discount rate (provided that the charge should not fall below 2 per cent) and without the usual additional commission. The limit of the credit in each case was to be one-half the

amount of the outstanding notes of the bank in question on January 1, 1896. In addition, such banks were to be entitled to rediscount approved bills of exchange at the Riksbank at a rate not exceeding two-thirds of the rate charged for the same accommodation to others. The limit of these rediscounts was also to be one-half the outstanding notes on January 1, 1896.

From January 1, 1904, till the end of 1908 these privileges were to be modified, and all the enskilda banks were to be entitled to rediscounting privileges on the above-named terms up to an amount equal to 40 per cent of their notes outstanding on January 1, 1896. This advantage was subject to the condition that none of the offices of any bank thus privileged, which were open on January 1, 1896, should be closed while the privilege continued. Should any office be closed, however, the Crown was to determine in what degree, if at all, the privilege in question should be continued, the importance of the office or offices closed forming the basis of such a decision.

The provision made for the period of transition to the monopolized note issue was subsequently modified by a law of May 3, 1901, which substituted the following for what has just been set forth.

The time for abandoning its note issues having been settled by arrangement between an enskilda bank and the Riksbank, and on condition that none of the offices open on January 1, 1896, should be closed during the term covered by the arrangement, unless with the permission of the Crown on the recommendation of the managers of the Riksbank, the enskilda bank might be granted, against approved collateral, loans not exceeding 65 per

cent of its notes outstanding on January 1, 1901, and an open credit not exceeding 10 per cent of the same amount. The interest charge on these loans and advances to be 2 per cent below the three months' discount rate of the Riksbank, though not in any case lower than 2 per cent, and the usual commission on the open credit being remitted. Further, rediscounts up to 25 per cent of the notes outstanding on January 1, 1901, might be granted at a rate not exceeding two-thirds of that otherwise charged by the Riksbank.

At the end of each year, beginning with 1903, the amount of the maximum limit of each of these special privileges is decreased by one-eighth of its original amount, so that they lapse entirely at the end of 1910.

For banks which had already given up their note issues before January 1, 1901 (there was one such bank), the outstanding circulation of January 1, 1896, was taken as the measure of the advances at special rates, in place of the circulation of January 1, 1901.

The change effected by the law of 1901 was one distinctly advantageous to the enskilda banks. It gave them direct loans in place of open credits, thus making them more effective agents in putting notes of the central institution into circulation under conditions under which they had previously issued their own. It left a sufficient open credit to serve as the basis of drafts on the Riksbank in the form of bank post bills, and substantial rediscounting privileges at special rates, the latter, like the direct loans, putting notes of the Riksbank into the hands of the enskilda banks. Further, the substitution of January 1, 1901, for January 1, 1896, as the date, the out-

standing circulation at which served as the measure of the advances at special rates, practically increased the maximum of the special advances, up to the end of 1903, by about 40 per cent. The substitution of a period of seven years, beginning with 1904, in which the special advances gradually decreased from being about three and one-half times as great as under the arrangement of 1897 to final disappearance, for a five-year term, during which the maximum of the special advances remained fixed, was also a great addition to the concession made to the private banks, nearly doubling the value of the concession after January 1, 1904.

As has been seen, the value of the concession was deemed by the enskilda banks to be adequate to justify the resignation of their rights earlier than the date fixed in the law for their definite cessation. Banks which became entitled to the privileges above-named did not lose them if, in place of remaining subject to the law of unlimited liability, they became ordinary joint stock banks, or were merged in such banks. About 28 per cent of the loans and advances under the arrangement were, at the end of 1908, made to such joint stock banks, five of which were benefiting by the special terms, as representatives of the ten enskilda banks which have ceased to exist as banks with unlimited liability.

(*b*) The grant of the monopoly of note issue to the Riksbank was accompanied by a stricter regulation of the nature of the business conducted by the central institution. The purpose directly in view was, doubtless, the more effective guarantee of the solidity and realizability of the assets of the note-issuing authority. Incidentally,

however, it resigned to other institutions certain classes of business, and though the former note-issuing banks have necessarily to compete for this business with other joint stock banks, the competition of the privileged central institution is removed.

The business assigned to the Riksbank falls under the following heads:

1. Purchase and sale of gold and silver.

2. Purchase and sale of bills of exchange, drawn on foreign firms or persons, and with a currency of not exceeding six months, such bills being payable either abroad or in Sweden. Other foreign short-term paper, of not exceeding six months' currency, may also be acquired and afterwards disposed of.

3. (*a*) Purchase and sale of Swedish bonds, and of such obligations of foreign governments as are quoted on foreign stock exchanges and are readily realizable.

(*b*) Taking over, by arrangements other than those for purchase, of Swedish government bonds and readily realizable obligations of foreign governments.

(*c*) Acting as agents in effecting the purchase and sale of Swedish government bonds and the bonds of the general mortgage bank.

4. (*a*) Discounting accepted inland bills of exchange payable within six months.

(*b*) Loans against Stock Exchange collateral repayable within six months (fixed term) or on not exceeding three months' notice. In the case of communal authorities and other corporations of similar status the note of the borrowing corporation may be accepted as sufficient security without other collateral.

(*c*) Loans against merchandise in a public warehouse, or deposited in charge of an independent trustworthy person who has bound himself to hold them at the disposition of the Riksbank, such loans to be for fixed terms not exceeding six months.

(*d*) Grant of credit on current account for terms not exceeding twelve months against collateral consisting of bonds, shares, or a lien on real estate, and also against personal guarantees. The maximum amount of the funds of the bank which may at any time be advanced in this way shall not exceed 15,000,000 kronor ($4,000,000, 30 per cent of the bank's capital), not including in this sum the credit to be opened for the national debt office, the amount of which is fixed not to exceed 1,500,000 kronor.

(*e*) On similar security to that named in the preceding paragraph (*d*) there may be granted loans repayable by installments at fixed intervals. The aggregate amount of such loans was fixed in the law of 1897 not to exceed one-quarter of the bank's capital. Five years later, a law of May 14, 1902, set aside the sum of 12,500,000 kronor for such loans as already stated, the capital remaining unchanged and the fund in question being provided from the accumulated surplus.

5. Deposits for fixed terms, or repayable on demand, to be received without charge and subject to no interest payment.

Current accounts ("giro" accounts) to be kept free of interest or commission, and the bank to make the necessary arrangements in connection therewith for effecting the business of the clearing house.

Firms other than banking firms which have a discount account at the Riksbank may receive interest on current account balances.

The bank is required to receive the public revenue and to make payments on account of the State without charge.

The bank is required to accept at any of its offices deposits of money and to issue sight drafts on the head office in Stockholm for the amount thus deposited without deduction or commission.

Arrangements for the receipt of sealed deposits are also to be made at the head office, and at branches as may be determined in the regulations made from time to time.

Foreign loans may be raised and accounts opened with reliable foreign banking and mercantile houses with or without interest.

Beyond the business included under the above heads, and the manufacture of paper and conduct of the necessary printing, the Riksbank is prohibited from carrying on any other class of business whatever. It may not own real estate beyond that needed for its offices, paper manufactory, and printing works. To protect the bank from loss it may buy in real estate on which it has a lien when such property is sold by auction, but such property must be sold again on the occurrence of a suitable opportunity, and in any case when the sale can be made without loss.

It will be observed that the Riksbank, in being excluded from paying interest on deposit accounts, leaves an important line of business to other banks. It is also not under the same pressure to find investments for its

funds when the attraction of interest is lacking to draw to it a large deposit fund. As a matter of fact, as already noted, this item has practically disappeared from the balance sheet since 1897. Current accounts with interest on the balance to credit of the client, though allowed with certain reserves (see above), have, in fact, not been developed. At the end of 1908 the resources of the Riksbank included capital and reserves and outstanding notes amounting to three-fourths of the whole. Of the remainder, nearly one-third was due to business arrangements between the bank and the national debt office and the balance of profits held for account of the State.

The element corresponding to the deposit and current accounts of American banks amounted on December 31, 1908, to some $14,250,000 out of a balance sheet total of $97,000,000. Of these deposits about 90 per cent were public deposits. The average for the year 1908 was 87 per cent, and for the four years 1905–1908 about 85 per cent. In 1908 the total of these giro accounts averaged nearly $11,500,000, of which nearly $10,000,000 were the accounts of government departments. The remainder is, doubtless, largely affected by the balances necessary for the conduct of the clearing. The Riksbank has to a very large extent ceased to derive its resources from those relations with the public on which other banks are dependent. Its note issues are the overwhelmingly most important debt to the public. At the end of 1908 the seventeen remaining enskilda banks had time and notice deposits totaling nearly $123,000,000, and the 28 "limited" joint stock banks, with a capital exceeding 1,000,000 kronor ($268,000), held time and notice deposits

to a total of $128,000,000. Besides the deposits, savings deposits and other amounts ordinarily included in America under the terms "deposits and current account balances" amounted to $34,000,000 for the enskilda banks and $70,000,000 for the limited banks. In all, therefore, these other banks disposed of $365,000,000 of funds placed in their hands by the public, their proprietors' funds amounting to about $148,000,000, and the balance-sheet totals aggregating $643,000,000.

There has thus developed a situation in which the Riksbank and the other banks operate in fields almost wholly distinct so far as the sources of their available funds are concerned. In the matter of investments the dominant item in the accounts of the Riksbank is inland bills of exchange, amounting to $45,000,000 at the end of 1908.[a] The other banks to which reference has been made had, at that time, rediscounted inland bills to nearly $38,000,000, of which no less than $35,000,000 had been negotiated with the Riksbank. Bills of exchange formed over 46 per cent of the assets of the Riksbank, and a little over 23 per cent of those of the other banks. Loans on security of various kinds, on the other hand, form a relatively small part of the investments of the central institution, amounting to little over $10,000,000 at the end of 1908, or under 11 per cent of the assets, while such loans amounted to no less than $378,000,000 in the accounts of the other banks, or not far short of 60 per cent of their total assets. The proportion of loans on real estate to total loans on security was, at the date

[a] It is of interest to note that the average currency of bills discounted by the Riksbank during 1908 has been calculated at about fifty-three days.

named, but little over one-sixth for the Riksbank and well over one-third for the other banks. Stock-exchange securities served as collateral for three-fifths of the loans of the Riksbank and for one-fifth of those of the other banks. As already stated, the cash item for the Riksbank is large, gold coin and bullion and other coin amounting to 23 per cent of the assets, while the other banks held only $13,500,000, or a little over 2 per cent, of their assets in this form, almost exclusively in notes of the Riksbank and in balances with that institution. Other items should be included, such as checks and drafts payable at sight or within a short time, if the measure of the readily available assets were required. But what has been stated will suffice to show that the investments of the Riksbank differ from those of the other banks, notably in those features which are related to the ability of the bank to meet demands promptly. In confining itself to such investments, the central institution goes far toward leaving the other banks in possession of the most profitable part of the field of operations, thus removing what might otherwise have been a reasonable cause of objection to the grant to the Riksbank of the monopoly of note issue.

(*c*) One of the features in the position of the Riksbank which had been made the subject of repeated criticism, and many proposals for alteration, was the fact that the control of the bank rested with the Parliament alone, and that neither in the Executive Government nor in any independent body was there any power to influence the discretionary authority of the Parliament. In truth, the difficulty presented by this peculiar feature of the constitution was perhaps rather apparent than real.

Nevertheless, the proposals of the Committee of Inquiry of 1890 included the association of appointees of the Crown with those of the Parliament on the managing committee of the bank to the extent of one-third of the whole number. The actual change made fell considerably short of that proposed. The managing committee, which formerly consisted of seven parliamentary representatives, has, by the act of 1897, been made to consist of a Crown-appointed chairman and six representatives of the Parliament. To the extent indicated by this change the Executive Government has been admitted to a share in the control over the bank. Substitutes are appointed to act in case of the absence or incapacity from sickness or other cause of any of the managing committee. The committee of seven appoints three (from 1873 to 1898, two) of its number to act as managing directors of the bank, each having charge of certain departments of its operations. The jealousy of interference on the part of the Crown finds an expression in a section of the 1897 act relating to occasions when a representative of the executive government may be sent to confer with the managing committee of the bank. The committee is forbidden to decide the question in hand so long as the Crown's agent is present with them. They are thus assured opportunity for private discussion and independent action.

The more detailed provisions of the regulations approved by the Parliament for the conduct of the affairs of the bank are stated in Appendix II (B). They include, of course, the number and status of the bank's officers at each office, and the scales of salaries for each grade.

The law of 1897 provided for the publication, in addition to the detailed annual statement of the bank's affairs and a monthly summary, of a weekly statement in which is specified the amount of the metallic reserve and of the gold held abroad or in transit, the net amount of foreign credits, the outstanding circulation of notes, and the excess of legal rights of issue over the actual circulation, as also the amount of the assets which are legal cover for the fiduciary circulation.

CHAPTER VI.

JOINT-STOCK BANKS.

When the experiment of "district banks" (see pp. 43–49) had been found unsatisfactory, in the early sixties, the question of the establishment of independent joint-stock banks without the right of note issue came once more under discussion, and both the Parliament and the executive government showed themselves favorably disposed toward this idea. The proposal for legislation, which was approved in 1862–63 by the Parliament, did not, however, eventuate in a law at that time, and the joint-stock banks which were founded before 1887 were organized under the general act of October, 1848, providing for the formation of joint-stock companies with limited liability. The importance of the privilege of note issue was, with the lapse of time, decreasing, as the towns grew in size and the means of communication improved, the time during which notes could be kept in circulation being thereby diminished and the profits of note issue at the same time decreased.

The earliest of the joint-stock banks was founded in Gothenburg in 1863, with a forty-year charter and a capital of 5,000,000 kronor ($1,340,000), of which 20 per cent was to be called up at the start. The bank was opened for business on April 1, 1864, and opened a branch in Stockholm in August, 1865. It quickly developed an

important business, and became the agent in Stockholm for numerous banks in various parts of the country. Its profits were substantial, and the capital was increased from time to time as the magnitude of the business demanded. It has long been one of the largest of the Swedish banks, and at the end of 1908 its balance-sheet total exceeded that of any other bank than the Riksbank itself, being a little over 200,000,000 kronor (say, $53,600,000). The capital paid up then stood at 22,000,000 kronor (say $5,900,000), and the reserve fund was 23,000,000 kronor, capital and reserve thus amounting to over $12,000,000, and exceeding that of any other Swedish bank except the Riksbank and the oldest of the former note-issuing banks, the bank whose balance-sheet total stands next after its own. Its deposits and current-account balances totaled $31,000,000, its loans $30,000,000, and its discounts nearly $11,000,000.

A second joint-stock bank with limited liability was organized in 1864, a third in 1869, two in 1871, two in 1872, and so on. Reference has been made above to the reorganization of unlimited banks, on the loss of their rights of note issue, into banks with limited liability, or their absorption by such banks. At the end of 1908 there were 28 joint-stock banks with limited liability, having each a capital of at least 1,000,000 kronor ($268,000). Their total paid-up capital amounted to 210,968,000 kronor (say, $56,000,000), the reserves to 114,858,000 kronor ($30,500,000). The deposit and current account balances aggregated 746,000,000 kronor ($199,000,000); the loans 842,000,000 kronor ($224,-

500,000); and the discounted bills, inland 281,238,000 kronor, foreign 9,888,000 kronor, or together over 291,000,000 kronor ($77,500,000), making a total of loans and discounts of $302,000,000, while the balance-sheet totals aggregated $370,000,000.

Besides these larger joint-stock banks there were, at the end of 1908, twelve others having a capital of less than 1,000,000 kronor each, their total capital and reserves amounting to 7,827,000 kronor (say, $2,100,000), and their other resources amounting in all to 18,576,000 kronor (say, $5,000,000). These are exclusive of people's banks (see pp. 99–100).

Legislation touching the regulation of joint-stock banks with limited liability was not effected till 1886, the law of November 19 in that year being subsequently replaced by that of September 18, 1903, forming part of the revised legislation consequent on the changed situation of the unlimited banks in regard to note issue.

The law of 1886 provided for the grant of charters to joint-stock banks with limited liability for a period of twenty years and to the end of the then current calendar year. The shareholders were required to be Swedish subjects and to be at least twenty in number. The capital was required to be at least 1,000,000 kronor, with the reservation that when the articles of association provided for a business of limited extent the capital might be less than this limit, though in no case less than 200,000 kronor. Before the bank might commence operations at least 20 per cent of the subscribed capital was required to be paid up and security given for the payment of the remainder.

Within three months of starting business a further 20 per cent was required to be paid up, and the remainder before a year had elapsed from the opening.

The articles of association might not provide for an increase of the capital to more than double the minimum fixed in those articles.

Of the profits at least 15 per cent were required to be applied to constituting a reserve fund, so long as that fund amounted to less than one-half the capital.

The register of shareholders was required to be open to examination, by anyone desiring to inspect it, at all times during which the bank was open for business.

Joint-stock banks might not undertake commercial business other than dealing in gold and silver, inland and foreign bills of exchange, and interest-bearing paper.

The provision as to owning real estate was the same as already noted in the case of the Riksbank.

Joint-stock banks might not acquire their own shares or accept them as security for loans.

They were expressly forbidden to issue anything of the nature of bank notes. Their deposit receipts were required to be expressly transferable only by indorsement, and to bear the statement that they were not for use as a circulating medium, but served merely as a record of the deposit.

Renewal of the bank's charter was required to be sought at least sixteen months before it expired, and the general meeting by which the application for renewal was authorized was to be held at least twenty months before the expiration of the then current charter.

To the above provisions of the 1886 act the revised law of 1903 made few alterations other than giving greater precision to details, in which respect the later legislation contrasts somewhat markedly with the earlier.

The period for the completion of the payment of the subscribed capital was shortened from a year to eight months after the commencement of business.

The provision against the acquisition by a bank of its own shares is omitted, though that against their acceptance as security for a loan is retained.

It is provided that in case a deposit receipt be transferred from one owner to another the transfer should be notified at the bank, as a security for the new owner, a notice to this effect replacing that required by the earlier law to be printed on the receipts.

Interest on savings-bank deposits may not be paid on more than 3,000 kronor ($804) on any one account.

The bank may not bind itself to repay savings deposits without at least a week's notice, though the notice need not be exacted in actual practice, should special circumstances render that course advisable.

The details of the legislation, as to the process of formation of banking companies, their inspection, etc., need not be entered upon here. In the main they are such as might apply to companies of all kinds, though the need to secure the trustworthiness of banking institutions may call for more careful prescriptions of the law in their case than in that of companies in general.

The Swedish legislation contains, in some particulars, provisions which were not found in the articles of association of certain of the earliest of the joint-stock banks.

In these cases, where the articles in question do not include the provision that the bank shall be subject to all future general legislation concerning limited companies conducting a banking business, the articles of association will continue to regulate such companies until the occasion for a renewal of the charter or changes in the articles of association afford opportunity to bring them under the provisions of the legislation here referred to.

The development of Swedish banking has taken place on a basis independent of foreign control or direction. It may be of interest to mention that, in the early sixties, an English company, the English and Swedish Bank, with a directorate in London, entered the field, with the view of financing Swedish business with the relatively cheap capital available in England. Two offices were opened in Sweden in 1864, with English managers. The business done involved considerable losses, the worst of which were the results of decisions taken by the London board, the members of that body not being fully acquainted with the local conditions and circumstances. After only five or six years of activity, it was found necessary to liquidate the bank's affairs. Though the period was one which was, as has been shown above, not wholly unfavorable to the development of joint-stock banking in Sweden, the native institutions beginning to arise about that time, the opportunities were not such as to favor foreign enterprise. Capital has been raised abroad for application in Sweden under the direction of Swedish banks, but the actual development of banking has taken place under native leadership and control.

CHAPTER VII.

PEOPLE'S BANKS AND SAVINGS BANKS.

Some brief account is necessary of the banks which have been established in Sweden on the model of the well-known Schulze Delitzsch institutions. Some of these have attained considerable importance, and a number of them have been developed into joint-stock banks.

The oldest of the people's banks was founded in 1867. In its statutes the principle of mutuality was embodied, the shareholders providing the capital, and, in the main, the deposits, and receiving in turn loans and advances by way of discounts. They were jointly and severally liable for the debts of the bank, as in the enskilda banks. The people's banks were, however, intended particularly to meet the needs of borrowers on a small scale, and small loans received preference over large ones.

No authorization was needed for the establishment of these institutions, either from the King or from other representatives of authority. In some cases the local governor refused his assent to the proposed statutes, but in at least five instances, in one of which the refusal had emanated from the Crown itself, the banks were nevertheless able to proceed with their proposed business. Against their will they could not be obliged to submit to inspection or control if they did not take the form of an ordinary joint-stock company.

The new banking legislation introduced new regulations forbidding the use of the title "bank" to any institution not organized as a limited or unlimited joint-stock company whose articles of association had been approved by the Crown. These regulations came into operation with the opening of the year 1904. At that time there were 28 people's banks which were not joint stock companies, and in addition to the head offices there were three branch offices. These banks had 32,419 savings bank accounts, with a total standing to their credit of 15,797,462 kronor ($4,234,000) and other deposits of rather over half this amount. Capital and reserves amounted to 3,362,931 kronor (about $900,000) and the total resources to about 28,000,000 kronor ($7,500,000). The disposition of these funds was approximately as follows: Cash in hand and with bankers, 7½ per cent; loans on real estate collateral, 33¾ per cent; loans on personal security and discounted bills, each about 23½ per cent; loans on other security, 10 per cent; stock exchange investments, 1¾ per cent.

Until the end of 1902 the magnitude of the affairs of these institutions had grown from year to year. The approach of the time when they were to cease to have the right to the title "bank" produced some reduction in 1903, and since that time their numbers and importance have declined steadily. The old name was allowed to be used by joint-stock banks under the new laws, whether with limited or unlimited liability. Any of the latter class whose capital falls below 1,000,000 kronor is called a people's bank (Folkbank) instead of bearing the title

enskilda bank, which designates the larger banks with unlimited liability. Two banks formerly people's banks have taken advantage of this clause, and one of these survives in that form. Two limited liability banking companies with a capital exceeding 1,000,000 kronor, and 26 whose capital does not reach that figure, bore the name people's bank at the end of 1908. The capital of the former two amounted to $1,500,000 together and their liabilities to the public to $2,000,000, while the 26 had an aggregate capital of about $2,750,000 and liabilities to the public about $14,750,000.

The institutions which prefer to continue to operate without submitting their statutes for approval by the Crown now bear various names, of which the chief is "credit association." The total resources of the 18 which were in operation at the end of 1908 (4 of which had been established in 1904 and 1905) amounted to 10,027,861 kronor (say $2,687,500), of which 972,701 kronor ($260,700) were capital and reserves and two-thirds of the remainder savings bank deposits, the number of depositors being 15,107. The greatest decrease in the years 1904 to 1908 had been in the number of large deposits, but a great decrease had occurred all along the line. The cash in hand and with bankers had fallen in the five years from 7½ to 5 per cent, and the small holdings of bonds, etc., had become yet smaller, while discounted bills had gained in relative importance about as much as cash and investments had lost. Loans on real estate collateral had fallen, while those on personal security had risen in relative importance, these items having nearly exchanged the per-

centages represented by them five years earlier. There has been a good deal of fluctuation in the distribution of the funds in the five years, as is not unnatural with so small an aggregate amount, affected by the transfer of some of the institutions to the group of joint stock banks.

The functions of the people's banks are now being performed by the joint-stock institutions subject to control rather than by these survivors of the old system, especially by the smaller of the joint-stock banks, and by the savings banks, which are subject to regulation, and to which attention may now be given.

Savings banks proper have existed in Sweden since 1820, when the first of them was opened in Gothenburg, to be followed by another in Stockholm in the following year, and eight others in various centers before the end of 1825. At the end of 1908 there were 428 in existence, of which 27 were not more than five years old, so that the system is steadily being extended even yet. The head offices of 109 were in towns and the remainder in the lesser centers, 25 of the 109 town banks having branches to a total number of 374, of which only 26 were in towns, while 15 of the others possessed in all 32 branches. There were thus 135 offices in towns and 699 in minor centers. Many of them are open only one day a week, or even less frequently, one being open only once every second month. In many cases there is no capital, but in only one case is there no reserve fund. As the statutory regulations of savings banks require that founders or their assigns shall not receive any share of profits made by the institutions, the capital and reserves play practically the same rôle in

the economy of these banks, whichever of the two designations be used.

The law under which the savings banks now operate was passed in 1892, substituting previous legislation of 1875. The statutes of the banks require approval by the Crown, and were submitted for such approval after the passing of the law of 1892, though they have not been required to be again approved so long as no alteration in them is made.

The savings banks receive deposits of very small amount, and in most cases a maximum limit to the sum on which interest will be paid is fixed. This is in a considerable number of banks as low as 2,000 kronor ($536), but the most usual limit is 5,000 kronor ($1,340), and 10,000 kronor ($2,680) is also a frequent limit. Higher limits are sometimes found, three cases occurring where the limit is 50,000 kronor ($13,400), while in a large number of instances the managing committee has power to extend the ordinary limit in special cases. The number of depositors (or rather of accounts) had reached 1,493,764 at the end of 1908, and had increased by over 300,000 in the ten years preceding that date. The amount standing to the credit of depositors had increased even more rapidly, being 713,551,441 kronor (about $191,232,000) at the end of 1908, as compared with 402,923,356 kronor (about $107,983,000) at the end of 1898. The increase in the ten years had thus been 77 per cent. To this increase the interest credited had, of course, contributed in no small degree, the actual excess of deposits over withdrawals in the ten years having been only 23.6 per

cent of the increase of depositors' funds. The average rate of interest actually paid in each of the last ten years was—

	Per cent.
1899	4.19
1900	4.58
1901	4.67
1902	4.44
1903	4.28
1904	4.29
1905	4.29
1906	4.42
1907	4.70
1908	4.97

The average rate of interest paid since 1860 has been 3.96 per cent, and the aggregate amount of interest credited in that time has been over 70 per cent of the amount now standing to the credit of depositors.

In 1908 the most usual rate, that paid by 325 of the banks, was 5 per cent, but the others paid rates ranging from 4 per cent to 5½ per cent, and 6 per cent was paid for a time in the course of the year by 3 banks.

In 1908 the withdrawals slightly exceeded the deposits, a comparatively rare occurrence, the deposits having been in excess in each year since 1899. The proportion of deposits or of withdrawals in a year to the total to the credit of depositors has not varied much from the ratio of one to five on the average.

More than half the accounts amounted to less than 100 kronor ($26.80) each, and only 14 per cent were over 1,000 kronor ($268). The latter were, however, responsible for a little over 70 per cent of the total amount of deposits. The average balance to the credit of each account at the end of 1908 was 478 kronor ($128).

The funds of the savings banks were invested to the extent of 79 per cent of the total at the end of 1908 in loans, seven-tenths of these in amount, or over 55 per cent of the funds, being in loans with a lien on real estate as security and 17 per cent of the funds in loans on personal security. The proportion of the funds employed in loans has slowly increased for some years past. From 1890 to 1900 it decreased from about 76 per cent to about 69 per cent, as compared with the 79 per cent of 1908. As far back as statistics are available the tendency has been to increase the percentage of funds loaned on real-estate collateral. In addition to these loans to private persons, a relatively small but slowly growing percentage (under 4½ per cent in 1908) of the funds was loaned to municipal authorities and associations of various kinds on their notes. Stock-exchange securities, principally bonds, were held to the value of nearly 10 per cent of the total funds. The proportion of funds thus invested reached about 13½ per cent in 1898, but has since fallen substantially and continuously.

The law of 1892 requires each savings bank to hold in readily realizable securities a sum of not less than one-tenth of the total of its deposits. Among securities which may be held for this purpose, however, are included real-estate mortgages when the property is mortgaged to less than half its valuation. Thus the holding of bonds, etc., just referred to, need not correspond to the legal obligation in question.

The proportion of the cash in hand and with bankers to the total funds was at the end of 1908 as low as 3½ per cent. In 1906 it was 4 per cent, in 1905 4½ per cent,

and in 1903 5 per cent. It has been a somewhat fluctuating figure, and the end of the year figure may possibly not represent the normal position, but the decrease in the last five years is very noteworthy.

It is perhaps worth noting that loans on personal security are relatively much more important in the case of the smaller than of the larger savings banks, while loans on real-estate collateral are more important in the larger banks. These latter, too, hold their funds invested to a far greater extent than do the smaller banks.

The total funds of the savings banks include, besides the funds of depositors, capital and reserve funds and a relatively small amount of other funds. The capital and reserve funds averaged 8.2 per cent of the depositors' funds in 1908, a continuous decrease of this percentage from 9 per cent in 1895 to 8.1 per cent in 1906 having ceased and been replaced by a trifling increase. The proportion is much greater in the smallest banks than in the largest. If the banks be divided into two groups, according as their capital and reserves fall short of 10 per cent of depositors' funds or not, the former class included, at the end of 1908, 262 banks, with deposits of 549,700,000 kronor, the latter 166 banks, with deposits of 163,900,000 kronor. Of the former, 72, with 399,600,000 kronor of deposits, had their head offices in towns, and 37 of the latter, with deposits amounting to 107,800,000 kronor.

In the last ten years the aggregate of capital and reserve funds of the savings banks has increased rapidly, the total increase having been 66 per cent, but, as the deposits have increased by 77 per cent, the proportion

of these protective funds to the deposits has been reduced, as stated above.

The cost of administration averages somewhat under two-fifths of 1 per cent per annum of the total funds, or 1 per cent of the total of deposits and withdrawals in the year.

A post-office savings bank was established in 1884, and has been found a useful supplement to the other savings banks, particularly in the more sparsely populated districts. There has been, however, an excess of withdrawals over deposits in each of the years since 1899, whether due to the greater activity of other banking institutions or the higher interest which, in times of especially active trade, these other banks are able to offer. The turnover is somewhat more active than with the ordinary savings banks. The total balance to the credit of depositors at the end of 1908 was only about 46,400,000 kronor ($12,400,000), and the average account was less than a fifth of the ordinary savings-bank average. The recorded numbers as well as aggregate amounts of deposits and withdrawals year by year show, as might be expected, that the average amount of a deposit is much less than that of a withdrawal. The average deposit has in the last five years amounted to the not insignificant sum of over 20 kronor (say $5.50), while the average withdrawal has been nearly 95 kronor (say $25.50). There is a maximum limit fixed for deposits by any depositor in the post-office savings bank of 2,000 kronor ($536).

At the end of 1908 the number of accounts in post-office savings banks in Sweden was 560,270, and

the number, though some 17,000 less than in 1902, has decreased less rapidly than the deposits. The number of offices at which business is done steadily increases, and had reached a total of 3,180 at the end of 1908. New depositors continue to be secured in substantial numbers. Whether the extension of the activities of other institutions has for its result the transfer to them of depositors who have been encouraged to save by the accessibility of the facilities offered by the post-office does not appear, but such a position seems not entirely improbable. The average rate of interest paid to depositors has been barely 3.4 per cent during the ten years 1899–1908, or about 1 per cent less than was paid by the ordinary savings banks. The investment of the funds has necessarily been restricted to the less remunerative forms, one-fourth of the total being lent to municipalities on their notes and over 71 per cent invested in bonds at the end of 1907. The lower earning power has involved a lower interest to depositors, and it is not to be wondered at that they transfer their accounts to other institutions offering more attractive returns on entirely satisfactory security. The formalities required for withdrawals are also said to discourage the use of the post-office savings bank.

In addition to the facilities provided by the transaction of savings-bank business at over 3,000 post-offices and branch post-offices, savings stamps are sold at these and at over 2,000 other places where there have been established agencies for the purpose. The number of the latter is being rapidly extended. In 1907 savings

stamps were sold to the number of 1,322,937, their value being 132,293.70 kronor ($35,455.)

The totals of savings-bank accounts in the various classes of institutions at the end of 1908 were as follows:

	Kronor.	Dollars.
In joint-stock banks:		
With unlimited liability	77,297,233	20,715,658
With limited liability	173,705,232	46,553,002
In people's banks (formerly so called)	6,025,637	1,614,871
In savings banks	713,551,441	191,231,786
In the postal savings bank	46,422,570	12,441,249

The savings banks proper hold, thus, 70 per cent of the total, and that total amounts to just over $50 per head of the entire population.

A further class of financial institutions to which a very brief reference may be made are those whose aim is to provide funds for the sole purpose of loans on real estate mortgages. The earliest of such institutions in Sweden was founded in 1836, after which year an interval of nine years elapsed before any other such society was started.

To assist these mortgage associations in the provision of the funds required by them for making advances, there was established in 1861 the General Mortgage Bank, which raised money by the issue of its own bonds, and received in addition a loan of 6,000,000 kronor ($1,608,000) from the Riksbank, assigning suitable security for the loan to the bank. The State provided further assistance by handing over 8,000,000 krónor in government bonds to the General Mortgage Bank, a sum increased in 1890 to 30,000,000 kronor.

Loans are made at 4 per cent interest and an additional one-half per cent or more as contribution to a sinking fund. Such loans may amount to not more than half the value of the land serving as security. Where no sinking fund is provided for, the interest is the same, but the limit of the loan is one-third the value of the land.

Besides the General Mortgage Bank and its associated rural mortgage societies, there have been established mortgage banks for lending on urban property, the earliest of these dating from 1865. The Mortgage Security Company of Stockholm, is included among the joint-stock banks dealt with in the preceding chapter, as it conducts, in addition to the business of bond issue and mortgage loans, a general banking business.

The Stockholm Stock Exchange quotes the bonds of the Swedish General Mortgage Bank at prices about equivalent to those at which the 3.6 per cent bonds of the Swedish Government are quoted.

At the end of 1907 the General Mortgage Bank had sold bonds to the value of 339,000,000 kronor ($90,850,000), of which some 60,000,000 kronor ($16,000,000) had been redeemed. The mortgage societies had made advances to their members, out of funds received from the General Mortgage Bank, amounting to nearly 359,000,000 kronor ($96,000,000), of which over 79,500,000 kronor ($21,300,000) had been repaid. The number of members was then 74,630, and the value of their property, available as security for advances, 842,000,000 kronor ($225,600,000).

CHAPTER VIII.

THE NEW BANK ACT AND THE CRISIS OF 1907.

It has already been stated that the new banking legislation, which deprived the enskilda banks of the privilege of issuing their own notes, by no means checked their development. In spite of the absorption of some of them by ordinary joint-stock banks, and the reconstruction of others into such banks, the aggregate figures of the business of those which retained the feature of unlimited liability showed marked expansion, while the body of limited-liability banks grew, both by the addition to them of a substantial part of the former note-issuing banks, and by the creation of new banks and the expansion of the operations of those already in existence.

Both the preparatory period between the passing of the new law respecting note issues and the actual monopolizing of those issues by the Riksbank, and the first years of the new system, fell within the period of increasing business activity throughout the western world which, after lasting for over a decade, was interrupted by the financial troubles experienced in the United States in the latter part of 1907, and affecting more or less the entire business world as well as the United States. The expansion was shared in by Sweden, and the check to business may be supposed to have provided a test of the new monetary arrange-

ments. Though disturbance and losses were not avoided, the test may be said to have given results of a satisfactory character. This outcome of the strain will be illustrated by a few references to the progress of events during the critical period.

Reference may first be made to the stipulation made between the Riksbank and the former note-issuing banks, as a condition of the provision of credit facilities on favorable terms in compensation for the loss of note-issuing privileges. It was that the offices which were open at the beginning of 1896 should be maintained. The 27 note-issuing enskilda banks in existence at that date are now represented by 17 unlimited banking companies and 5 limited banking companies. From the beginning of 1896 to the end of the nineteenth century the number of branches of enskilda banks increased by 17, though one such bank became a limited-liability banking company in the meantime. The limited banks of all sizes increased in number from 28 to 40, and their branches from 19 to 57, including the gain from the transference from the ranks of the enskilda banks at the end of 1898. After the opening of the twentieth century the rate of growth was much accelerated. At that time there remained 26 enskilda banks. These 26 banks had 99 branches and 58 sub-branches. The 17 unlimited banks had, at the end of 1908, 94 branches and 87 sub-branches, while 80 of the offices, other than head offices, of limited-liability banks have been acquired by the transformation or absorption of former note-issuing banks. It appears, therefore, that the former 26 head offices and 157 other offices were represented at the end of 1908 by 21 head offices and more than

261 other offices, for the four limited-liability banks which resulted from the reorganization of certain of the 26 note-issuing banks have not failed to extend their operations in the years since the reorganization, and owned 23 other offices besides those referred to above at the end of 1908. The note-issuing bank which reorganized as a limited-liability company at the end of 1898 had six offices, all of which were maintained under the new organization.

At the end of 1900 the Riksbank had 19 offices, note-issuing banks 183, limited-liability banks 96, and people's banks 32, a total of 330 offices. At the end of 1908 the Riksbank had 25 offices, the unlimited banks (including one people's bank) 199 offices, limited-liability banks with capitals of at least 1,000,000 kronor 304 offices, and lesser banks 51 offices, or a total of 579 offices. There was thus an increase in the eight years of 249 offices, to which must be added those of a number of institutions representing former people's banks, and a couple of exchange offices of larger banks not included in the above totals. No less than 59 new offices were opened in 1907, and 43 in 1908, so that the development seems by no means at an end. There was at the end of 1908 a bank office for every 9,300 inhabitants on the average, whereas at the end of 1900 there were over 15,000 inhabitants for each bank office.

The different banks quote rates, both for loans and for deposits, that are very nearly the same. The existence of branches of more than one bank in many districts insures this advantage of competition. The Riksbank's discount rate gives, in consequence, a measure of the

rates current everywhere, though there remains some variation in the rates returned by the several banks in the monthly accounts. These fluctuations may perhaps represent, in part if not entirely, differences between the classes of business secured by the different institutions.

In general, during the last few years, the interest on savings deposits, and on deposits at three months' notice, has been 1 per cent below the three months' discount rate of the Riksbank. Deposits at four or six months' notice receive one-half per cent more, those at two months' notice one-half per cent less, at one month's notice 1 per cent less, than savings deposits. Deposits for longer terms than six months do not, as is the custom in some countries, receive any higher interest than those for six months. Current-account balances draw interest at 1 per cent below deposits at one month's notice as a rule. With discount rates between 5 and 7 per cent the above relations have held during the three years 1906 to 1908. With lower discount rates the scale would naturally be modified somewhat.

Open credits are charged a commission of from one-half to 1 per cent, and interest at one-half per cent above bank rate, as a rule. Loans on real estate collateral are commonly charged one-half to 1 per cent above the three months' discount rate, and on other collateral one-half per cent more is common, though lower rates are sometimes quoted than on real estate collateral. This is especially the case with the Riksbank, whose chief loans on collateral are made against bond security.

The average bank rate of discount (on three months' bills) and the mean of the maximum deposit rates of one

of the leading banks of Stockholm during the last ten years have been as follows:

Year.	Maximum deposit rate (per cent).	Three months' discount rate (per cent).
1899	4.92	5.89
1900	5.00	5.87
1901	4.79	5.46
1902	4.00	4.51
1903	4.00	4.50
1904	4.08	4.61
1905	4.17	4.73
1906	4.63	5.20
1907	5.08	6.10
1908	5.21	5.88

The bank rate thus rose, with some fluctuations, from 4½ per cent, the rate throughout 1903, to 5 per cent, the rate prevailing through the first nine months of 1906. But the increasing value of money was reflected in a rise to 6 per cent by the middle of November, 1906, and the maintenance of that rate till November 9, 1907, when it was advanced to 6½ per cent. From December 12, 1907, till January 29, 1908, a 7 per cent rate was established. By successive reductions of one-half per cent on the last-named date and on April 3 and June 6, 1908, and again on January 7 and February 19, 1909, the 4½ per cent rate was again reached.

If the aggregates for all the banks under the principal heads of the monthly accounts be examined, it is found that inland bills of exchange expanded almost without a break through 1906 and 1907, though in the last two months of 1907 the expansion was but trifling in comparison with the 37 per cent of increase in the preceding twenty-two months. In 1908, however, half the in-

crease of 1907 was lost, and the decline has continued into 1909. Loans on collateral increased by 21 per cent in the twenty-two months ending October, 1907, and advances on credits by no less than 47 per cent. Taking both together, the advance was 29 per cent. Loans and advances have both increased at a much slower rate during 1908, one class of loans, those on shares as collateral, having experienced a decline to about the level reached at the beginning of 1907. Savings deposits have advanced throughout the period under discussion, though more slowly in 1908 than in the two preceding years, and of time and notice deposits the same is true. So far as the aggregates of the bank accounts go, the features in them which bear witness to the pressure, besides the decrease of inland bills discounted and of loans on shares, are a small decrease in bonds held in the last month of 1907, followed by some further small decreases in 1908, and a slight increase in the proportion of the credits granted which were drawn in 1907 and 1908 as compared with 1906 or 1905. A notable increase in the (relatively small) amounts standing to the credit of current accounts is also shown in 1907, especially toward the close of the year, and still further increases in 1908. The gold stock of the Riksbank lost about 6,000,000 kronor out of a total of about 76,000,000 kronor, mainly in the weeks ending November 23, November 30, and December 28, 1907, a loss which only began to be made good after the middle of July, 1908, and was not completely made good till late in October. In the first week of December, 1907, the foreign government bonds held by the Riksbank were reduced by 4,000,000 kronor, and

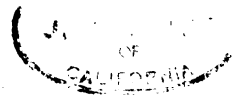
though a large part of these were temporarily restored in the following week, the accounts show that from the beginning of January, 1908, until the end of May the bonds held were less than had been usual by the amount named, and the previous situation in this respect was not restored till the middle of August, 1908.

By the middle of November, 1907, the net foreign credits were reduced to less than a third of the usual amount. Throughout the year they had been much less than at corresponding dates in 1906, partly due to a decrease in the credits and partly to an increase in the debit side of the account, and it is, perhaps, somewhat remarkable that, with a large increase in the net balance due on their foreign transactions by the banks as a whole, and repeated drains on its own foreign balances, the Riksbank failed to impose the check of a higher discount rate on the speculative spirit manifested in the business circles of the country. In raising its rate on November 9 from 6 to 6 ½ per cent, when the Bank of England rate had been advanced to 7 per cent two days previously, and in maintaining the 6½ per cent rate for nearly five weeks with the London rate one-half per cent higher and the Berlin rate 1 per cent higher, the central institution would appear to have been open to the criticism which has been leveled at its policy during this period. The relation of lending rates in Sweden and borrowing rates abroad was such that the foreign debit balances of the banks, instead of being, as in 1906 or 1908, increased toward the end of the year, had to be largely decreased, and the banks had to turn to the central institution for assistance in effecting this operation. Hence the export of gold, the sale of its foreign government

bonds, and the reduction of its credit balances in foreign centers.

The fact that a new Swedish Government loan had been arranged in France to the amount of 65,000,000 francs enabled the national debt office to come to the assistance of the Riksbank. For fifteen months a special item appears in the Riksbank's monthly statement representing an arrangement with the national debt office, the amount for which the Bank became indebted to the national debt office being over $7,000,000 at the end of November, over $11,000,000 at the end of December, and nearly $13,000,000 at the end of January, 1908, when the highest amount was shown. A further sum of about $5,272,000 in foreign exchange was arranged for in February, 1908, and this item appears in the accounts for three months, representing presumably three months' drafts. By the time they ran off, the strain of the situation was considerably eased.

Aided, then, by the backing of the treasury (to use a term more familiar than national debt office) the Riksbank was enabled to lend assistance to borrowers with sound credit and satisfactory security. This procedure recalls in some degree the procedure in the United States at about the same time. It has been alleged that the other banks found a difficulty in securing the help they needed from the Riksbank. The monthly accounts hardly lend support to this view. It is doubtless true that, at a time of pressure, the rules requiring careful scrutiny of bills offered for discount at the Riksbank were more scrupulously observed than at ordinary times. But the figures of inland bills in the Riksbank's portfolio, of its loans with bonds as collateral security, and of its advances on open



credits all show that it provided in substantially increased sums the funds called for by those who depended on it, and this means the other banks in the main. The rediscounts of the joint-stock banks of both classes have been stated in the monthly accounts since the beginning of 1907. In 1907 over 92 per cent, in 1908 over 94 per cent, of the rediscounts of the other banks were made with the Riksbank, about three-fourths of the inland bills held by that institution being obtained by rediscounting. From September, 1907, to June, 1908, the share of the rediscounts by other banks which was effected with the Riksbank was higher than in the earlier months of 1907 or the later months of 1908. Naturally the Riksbank scrutinized the bills offered with exceptional care at the time of pressure, but this is no proof that the facilities usually available to the other banks were unreasonably reduced. Had such scrutiny not been made strict, the Riksbank would have failed in its duty. It may be blamed for not marking the discount rate up to a figure higher than that of the Imperial Bank of Germany, but unless it refused advances when the collateral offered was sound it should not be accused of restricting credit. The strict enforcement of the rule requiring the origin of bills to be taken into account should not be interpreted in this sense. Actually it would appear from the monthly accounts that about 20,000,000 kronor ($5,360,000) was advanced, beyond the usual amounts, by rediscounts, and a sum little if at all short of this by advances on bonds as collateral, of which about half was provided when the increased discounts occurred, in November, and the remainder early in 1908, when also

increased sums were advanced on credits opened. By the assistance thus rendered the other banks were enabled before the middle of 1908 to bring their floating debt to foreign bankers to about the same dimensions as in 1906. As by this time the discount rates in other countries had fallen, the results of the fixing of the Swedish rate insufficiently high in comparison with the German and English rates had been effectively dealt with. Whether a higher discount rate might have been wiser than reliance on the support of the National Treasury is a question which need not be discussed here and has no direct connection with the matter of the centralization of note issues, other than this, that the Riksbank may have endeavored to avoid burdening the other banks with excessive charges for accommodation, partly in view of the relatively recent restriction of the privileges of many of those other banks.[a] There is one other disturbance revealed in the accounts, namely, the comparatively narrow margin of reserve note-issuing powers resulting from the strain on the Riksbank. This reduction of the margin was largely the direct result of the reduction of the credit balances abroad of the Riksbank, the reduction of the gold stock also contributing substantially, since the note-issuing powers are decreased by double the amount of any decrease in gold in the bank. At the time of smallest reserve powers, the fact that a sum of about

[a] For a considerable part of each of the years 1902–1906 the rate charged by the Riksbank for rediscounts was one-half per cent below the regular discount rate. In 1907 no such reduction of the rate was made. In 1906 the lower rate was so charged from February 7 to September 19, and in 1908 from May 22 to June 5 and from July 3 to the end of the year.

[b] cf. Ekonomisk Tidskrift, 1908, p. 172, in an article by M. Hamilton.

$750,000 was on the way abroad further decreased the power of issue. The weekly account for December 21, 1907, shows a margin of note-issuing powers of only 6½ per cent, the margin in the preceding week having been about 12 per cent, while in the following week it was about 14 per cent. The margin ordinarily runs low at the end of December, and in 1906 fell nearly to 11 per cent. By the last day of 1907 the increase of foreign credit balances and some decrease of notes in circulation brought the margin to the proportion which had been reached on the last day of 1905, and which was again reached at the end of 1908; but ten days earlier, as stated above, the margin was abnormally narrow. It is stated [b] that an arrangement was effected between the Riksbank and some of the important banks of Stockholm whereby their holding of notes was transferred each afternoon to the Riksbank, so as not to be included in the outstanding circulation. Such an arrangement may have contributed to the restoration of a relatively wide margin by the end of December, but it does not seem necessary to suggest that, but for this, the legal issues would have been exceeded. It is implied that the other banks hold much more substantial reserves of notes than would appear necessary, as the offices involved are, by the conditions of the case, conveniently placed for procuring cash from the Riksbank without delay in case of need. The monthly accounts do not discriminate between notes in the safe and deposits at the Riksbank, and in these cases a deposit balance would appear to be equally available with notes in hand. Were this

not the case, no one would imagine that the banks would let the notes go out of their hands.

On the whole, the figures of the monthly accounts and the weekly figures of the Riksbank appear to support the view expressed to the present writer by bankers in Sweden that no serious difficulty was experienced by the banks in providing the necessary funds to aid those who needed assistance for sound business purposes. If the banks were restrained by the loss of note-issuing rights from granting credit for more speculative purposes, it may be said that this restraint was, under the circumstances, a gain and not a loss to the community. The questionable element is whether the discount rate was raised sufficiently early and sufficiently high, and the centralization of note issue would hardly operate to prevent the adoption of such restrictions on the more speculative developments of business, but rather the contrary.

The most notable evidences of trouble are perhaps those found in the growth of overdue debts to the banks and in the application of large sums from profits in writing down assets. The overdue debts have ordinarily stood at one-tenth of 1 per cent of the balance-sheet total, or even less. In 1907 they rose to over one-third of 1 per cent at the end of the year, and in 1908 to somewhat over one-half of 1 per cent, taking all the joint-stock banks together, limited and unlimited. Such an increase must mean a number of bad debts, and the sums applied to writing down assets confirm this interpretation. The following table gives figures for the last five years from all the banks, excluding the Riksbank:

[Expressed in thousands.]

Year.	Profits of the year.	Expenses of the year.	Sums applied to—		
			Writing down assets from—		Reserves of various kinds.
			Reserve fund.	Revenue.	
1904	$11,085	$3,608	$111	$803	$1,193
1905	12,115	3,864	4	783	1,234
1906	14,333	4,561	186	980	1,146
1907	17,768	5,179	2,867	2,792	1,361
1908	18,801	5,373	180	2,721	1,994

The application of more than double the usual proportion of the year's net profits to writing down assets, and the increased sums written to reserve funds or held in hand, are eloquent witnesses to the fact that the banks have suffered substantial losses. How far the large sum so applied out of reserve funds in 1907 is to be taken as a sign of large losses incurred, and how far it was merely a preparation, by the one large bank which was responsible for nearly 95 per cent of the total, for the reconstruction which followed at the end of September, 1908, when it ceased to operate under unlimited liability, and was converted into a limited liability bank, the writer is, unfortunately, unable to state.

So much does appear to follow from the examination of the course of events as illustrated by the bank accounts of the last few years, namely, that, when the sharp contraction of credit throughout the world at the close of 1907 is taken into account, there is no evidence that the changes in the Swedish banking law have contributed to render such a crisis more severe, and some evidence that the opposite has rather been the case.

SUPPLEMENTARY CHAPTER.

THE BANKS OF DENMARK AND NORWAY.

For purposes of comparison with conditions in the neighboring countries, a brief summary of the position in Denmark and Norway confined to the note-issuing banks follows. In both cases the business of note issue is, and has always been, the monopoly of a single privileged institution.

(*a*) DENMARK.

The note circulation in Denmark is the monopoly of the National Bank, a joint-stock institution owned by private shareholders. The early history of the bank was a varied one. On October 29, 1736, a charter was granted to a bank with a share capital of 500,000 rigsdaler current (roughly, $430,000), which acquired, among other privileges, that of issuing its notes as currency. The charter included no provision as to the proportion of notes to the metallic reserve of the bank, and the freedom of issue was quickly abused, so that in 1745 it became necessary to grant a temporary dispensation from the obligation to redeem the notes on presentation. Though the notes were only irredeemable at that time for a period of eighteen months, the difficulties which had led to this measure of relief soon recurred, through the extension of loans to the Government, to trading companies, and to others in excessive amounts. The restriction was renewed from October 6, 1757, and from that time till 1845, a period of eighty-eight years, the bank notes remained irredeemable.

In March, 1773, the bank was taken over by the State, and the issues were increased so largely that after ten years the outstanding amount was over two and a half times as great as at the date of the conversion to a state bank, and a depreciation of 10 to 15 per cent was established. To remedy the evil so far as the Duchies of Schleswig and Holstein were concerned, there was established in 1788, in Altona, a "speciesbank," which issued redeemable notes and replaced the depreciated currency by them. In 1791 a similar measure was tried for Denmark itself, but was not successful.

During the war period, 1807–1814, the Government had to rely very largely on the issue of notes for meeting its expenses, and the circulation, which had grown from 6,000,000 rigsdaler in 1773 to 15,500,000 in 1783 and 27,000,000 in 1807, was further inflated to 142,000,000 at the end of 1812. The relation of the notes to coin was correspondingly affected. The parity was 125 dalers current equal to 100 dalers species. The rate in 1812 had become 1,760 dalers current for 100 dalers species—that is, the note was worth little more in coin than 7 cents on the dollar. This situation resulted in a declared bankruptcy, and on January 5, 1813, there was created a new state bank with the name of Rigsbank and a new basis of valuation established in its notes.

The new bankdaler was the nominal equivalent of half a daler in coin—that is, five-eighths of a daler current. The notes were, however, to be rated at 6 dalers current of the old notes for 1 daler of the new, which reduced them to five forty-eighths of their face value, or about 10½ cents on the dollar, assuming the new notes

to be worth their face value, and less than this in reality, as the new notes were not at par. The total issues of the new Rigsbank were to be 27,000,000 dalers for redemption of outstanding notes of various kinds, 4,000,000 to provide working capital, and 15,000,000 to provide funds for the treasury, which ceased to have the power to issue notes. These 46,000,000 bankdalers in notes were for circulation in Norway and Denmark, including Schleswig and Holstein. In the latter, however, the currency had been brought into a satisfactory condition by means of the bank at Altona, and it was necessary to exclude the Duchies from the field of circulation of the new notes, against which their inhabitants protested. As the result of the conclusion of the war in 1814, Norway was separated from Denmark, and only a little over 7,000,000 dalers of notes, already in circulation there, were taken over by the new Kingdom. Denmark alone was left with the balance of nearly 39,000,000 dalers in notes, which proved to be far beyond the needs of its population and trade, and in 1814, in place of the ratio of 2 to 1, the proportion of value between the species daler and the daler in bank notes was 5½ or 6 to 1.

The new bank had as one of its duties to reduce the volume of the note circulation. It had no cash reserve, and only its profits were available for building up such a fund and for redeeming notes and withdrawing them from circulation. There was a formal basis of value for the notes in the shape of a lien imposed on all real estate, corresponding to 6 per cent of the value of the property. This took the form of a rent charge of 6½ per cent per annum on the amount of the lien in each

case, and it was the annual rent charge rather than the nominal capital value of the charge which was of importance to the bank. It amounted in all to about 2,500,000 bankdalers, and was to be applied to the reduction of the volume of outstanding notes. The separation of Norway cut off 13,000,000 from the nominal 46,000,000 dalers of the total capital value of the rent charge, while the notes for which Norway became responsible were, as already stated, only about 7,000,000 dalers. The owners of property protested against the new burden placed upon them, and by an ordinance of July 9, 1813, the rural proprietors were granted reductions of taxation amounting to five-sixths of the amount of the new rent charge. The result, in effect, was that the urban proprietors paid the entire charge on them, and that the rural proprietors paid only one-sixth of the amount originally charged, the remainder being paid as a subsidy from the treasury. The amount of this state subsidy was 820,000 bankdalers annually till 1830, and from that date till 1876, 328,000 bankdalers (about $176,000). In all, these subsidies of the treasury amounted to about 27,500,000 bankdalers (say, $14,750,000) provided for the redemption of the notes, in addition to the annual produce of the rent charge paid by the proprietors of real estate.

At the time of the establishment of the Rigsbank, a plan for its transformation into a private bank at a later date was approved. The intention was realized by the grant of a charter, to date from August 1, 1818, and to run for ninety years, substituting for the state-owned Rigsbank the privately owned National Bank. The proprietors whose property had been subjected to an annual

rent charge in support of the bank were transformed into shareholders in the new institution, being credited with shares to the amount of the lien in favor of the bank established as related above. Those whose annual contribution had been reduced at the expense of the treasury were only entitled to shares in proportion to the reduced amount really borne by them—that is, one-sixth of the nominal lien. So far as the duchies of Schleswig and Holstein were concerned, provision was made whereby the payees of the rent charge might be freed from the obligation to become shareholders, and but few failed to take advantage of the opportunity, so that the actual share capital was barely 8,000,000 bankdalers (about $4,250,000). As there were no dividends for shareholders till after 1845, the advantage of owning shares was not appreciated, but later on, after a beginning of annual distributions was made, the situation was so altered that many took advantage of a provision entitling them to pay in cash such amounts as might be required to bring up the shares due to them to round hundreds of dalers. In this way there was made a gradual addition of about 5,500,000 dalers (say, $2,950,000) to the share capital. Finally, in 1878, its amount was adjusted to the round sum of 27,000,000 kroner (the daler having ceased to be the unit, and a new unit of half the value called the krone having taken its place), or $7,236,000.

The lien on real estate in favor of the bank could not insure the circulation of the notes at their full nominal value. The reduction of the amount of the circulation effected by means of the annual revenue assured to the bank from the rent charges gradually improved the situa-

tion. The notes outstanding in 1818, when the National Bank took over the responsibility for them, were about 31,000,000 dalers ($16,600,000). In 1820 the bank effected a loan of 6,000,000 dalers ($3,216,000) in paper, and the notes thus brought in were destroyed. This brought the value of the note to the point that 130 dalers in paper were worth the silver represented by 100 dalers nominally. By October, 1838, a parity between the real and nominal value of the notes was reached, though it was not till 1845 that it was deemed safe to resume redemption. The circulation had been reduced to 16,500,000 dalers ($8,844,000) before this step could be taken.

With resumption of cash payments there were established regulations limiting the relation of the circulation to the cash reserve. The issue might not exceed twice the cash in hand, in which was included not only silver actually in the possession of the bank, but sight drafts on Hamburg to the extent of not more than one-fourth of the total cash. The part not covered by cash was required to be covered by easily realizable securities to an amount exceeding by 50 per cent the notes secured by them.

In 1847, in addition to these regulations, a maximum limit of 20,000,000 dalers ($10,720,000) was fixed for the issues.

The growth of population and trade permitted this limit to be raised to 24,000,000 dalers in 1854, with the provision that, of the 4,000,000 added, 3,000,000 should be covered by silver. Thus the cash cover for the maximum issue of 24,000,000 dalers became 10,500,000 dalers

in silver and 2,500,000 dalers in sight drafts on Hamburg, to which bonds, bills of exchange, and the like to an amount of 16,500,000 were to be added as cover for the remaining 11,000,000 dalers of the issue.

In 1859 the maximum limit of issue was abandoned in favor of a maximum fiduciary issue, which was fixed at the same amount as before, namely, 13,500,000 dalers ($7,236,000), the relaxation of the former rule merely admitting of the addition of notes to any required amount fully covered by silver to the fiduciary issue.

After the establishment of the gold standard in 1873, and the adoption of the monetary unit of a krone (of the same value as in Sweden, equal to one-half the bank daler), new regulations were drawn up regarding note issue. They were as follows:

1. The bank may issue notes to any required amount, provided that it has in its possession cash equal to the excess of the issue over and above 27,000,000 kroner and not less than three-eighths of the entire outstanding circulation.

2. The part of the issue not covered by cash shall be secured by good and safe assets in the proportion of 150 kroner in value to each 100 kroner of notes so secured. Such assets may be bills of exchange both inland and foreign, balances repayable on demand by foreign correspondents, stock-exchange securities taken at the price of the day, notes of borrowers secured by collateral, and mortgages on real estate, though the last named may not be held to a total amount exceeding 6,000,000 kroner.

3. As cash may be reckoned (*a*) legal current coin at its face value; if the circulation be 48,000,000 kroner or

over, at least 12,000,000 kroner shall be held in such coin, and if less than 48,000,000, coin equal to one-fourth of the issue; (*b*) foreign gold coin or bullion, taken at 2,480 kroner per kilogram of fine gold; (*c*) to a limited amount, temporarily fixed at one-third of the whole, silver bars and foreign silver coin at cost price, such price not to exceed the proportion to gold of 1 to 15.675.

4. The bank is required to redeem its notes in gold at their face value on presentation at its head office and to purchase all gold bars offered at the rate of 2,480 kroner per kilogram of fine gold, less one-fourth per cent for the expenses of minting.

The fiduciary issue was increased from 27,000,000 kroner to 30,000,000 kroner by an ordinance of November 30, 1877, and again by an ordinance of December 27, 1897, to 33,000,000 kroner on condition that the bank should issue notes of 5 kroner ($1.34), its previous lowest denomination of note having been 10 kroner. The 5-kroner notes of the neighboring countries had circulated to some extent in Denmark, though not with quite the same freedom as its own notes.

From 1886 (ordinance of February 19) the net balances due to the National Bank by the Bank of Norway and the Swedish Riksbank, that is, the balances held by these banks in favor of the Danish bank less the balances held by the latter to their credit, have been reckoned as part of the cash in hand by the National Bank. Similar arrangements hold in Norway and Sweden. It is found convenient in all three countries to effect payments by means of drafts on accounts held in the central banks in the other countries rather than by a constant flow of cash to and fro.

In view of the intimate commercial relations of the three Scandinavian countries, the arrangement appears a highly rational one which encourages such a course by treating the net balances on such accounts as cash in hand.

In 1894 a further step of a similar character was taken by permitting (ordinance of November 10, 1894) the bank to reckon as cash both the notes of the Imperial Bank of Germany and the treasury notes of the German Empire held by its branch at Flensburg, and the deposit (not bearing interest) at the Imperial Bank of Germany made on account of that branch. The amount of such German notes and deposits which might be reckoned as cash was limited to 6,000,000 kroner in 1894, and extended (by ordinance of June 25) to 10,000,000 kroner in 1897. The permission was accompanied by the expression of the expectation that the bank would not use this means of extending its issues regularly, but hold it as a reserve in case of special necessity.

These extensions of the interpretation of the term "cash in hand" permit of a temporary expansion of note issues without the preliminary actual shipment of gold to Copenhagen, and should the expansion be followed quickly by contraction, the movement of gold may be entirely avoided.

A further provision for elasticity is found in the regulation that the National Bank is only required to present a monthly account to the minister of justice (acting as bank commissioner) showing that the conditions of the law are duly fulfilled. Should it appear from such a monthly account that the relation of cash to notes has not been maintained as prescribed in the law, the bank is required

to restore the legal position before the next month's account is due. It has thus power to depart from the strict letter of the regulations for a month before rendering itself liable to penalties. This power was not utilized until the crisis of October, 1907. In the account for the end of that month the uncovered issue, which had been raised to 38,000,000 kroner in 1901, was shown to amount to 38,075,000 kroner, the cash (inclusive of the foreign balances specified above) amounting to 85,614,000 kroner, or nearly 70 per cent of the outstanding notes. It is clear that the overstepping of the strict legal limit had not resulted in a dangerously small ratio of cash to notes at that date.

The expiration of the charter at the end of July, 1908, was the occasion for a revision both of the constitution and of the note-issuing regulations of the bank. The law of July 12, 1907, renewed the charter for twenty years, and modified the limits of note issue by restoring rules similar to the earliest above mentioned of 1845. At least half the circulation is required to be covered by cash, the remainder with good and sound assets of specified classes in the proportion of 125 kroner of such assets to 100 kroner of notes so secured. The other regulations remained unchanged, except that an elastic limit of fiduciary issue was provided by the regulation that, under exceptional circumstances, an order in council might be granted permitting the limit to be exceeded on payment to the treasury of 5 per cent per annum on the excess. The new rules were applied by anticipation in the severe pressure of November, 1907, an order in council of November 22 granting permission to bring them into force at

once. The November account showed a fiduciary issue of 40,780,000 kroner and a cash holding of 81,571,000 kroner.

The National Bank has six branches, including that in Flensburg, to which reference has already been made. In the last ten years its dividends have ranged from 7 per cent (in five of the years) to 7½ per cent (in two years) and 8 per cent (in each of the three years ending 1907–8). Of the profits a sum of 750,000 kroner ($201,000) is, by the new law, required to be paid to the state treasury, then up to 6 per cent to the shareholders, and of the balance one-fourth is claimed by the treasury. The profits for 1906–7 amounted to 2,646,000 kroner ($709,000); for 1907–8 to 3,955,000 kroner ($1,060,000); and for 1908–9 to 2,761,000 kroner ($740,000). For 1909, therefore, the share of the treasury was about $227,000. The reserve fund is required to be 30 per cent of the share capital, and to this figure it was raised in September, 1908.

The National Bank is, as has been stated above, a joint stock company in private ownership. Its management is intrusted to 5 managing directors, of whom 2 are appointed by the Government, 3 elected by the board of directors, which consists of 15 representatives of the shareholders, 3 of whom complete their term of office in each year. Previous to the renewal of the charter in 1908 the managing directors had for a quarter of a century been 4 in number only, and 1 of these only was appointed by the Crown. The board consisted then, as now, of 15 shareholders, but vacancies were filled by cooptation. The new law requires that the board should

be elected by the annual meeting of shareholders, to which meeting a report on the year's work must be presented.

The previous constitution was apparently a very oligarchical one, but the requirement that no member of the board should serve for a longer period than five years consecutively, after which he should be ineligible for reelection for two years, may have had some effect in keeping the board in touch with a somewhat larger number of shareholders than would otherwise have been the case. Apart from the appointment of two managing directors, forming a minority of the managing committee, and a general supervision sufficient to insure the observance of the provisions of the charter and the law, which is intrusted to the department of justice, the Executive Government do not control the National Bank. Under the revised law a more effective control by the shareholders may be expected than was possible under the previous system.

At the end of 1908, the resources of the bank, apart from a fund administered by it for the Government in making advances to communal authorities for light railways, amounted to $45,900,000, of which $9,406,800 was capital and reserve, $33,468,000 notes in circulation (about $12.50 per head of the population), $1,495,000 only in current account balances and $1,391,000 in deposits at notice. The cash in hand amounted to $18,663,000 or about 40 per cent of the total resources. The bills of exchange amounted to $11,586,000, of which about $500,000 represented foreign bills. Collateral loans amounted to $6,235,000, rather under a third being on real estate security, two-thirds on stock exchange col-

lateral. The holding of bonds was only $893,000. The item "sundry debtors" was relatively large, amounting to rather over $6,500,000. There was due from foreign correspondents about $2,500,000.

Though the issue of bank notes is a monopoly of the National Bank, there is no other restriction imposed by the law on banking in Denmark. Yet it was not till 1846 that any bank, other than the National Bank and its two branches then existing, was started, and not till 1845 that a banking company was established in Copenhagen. Since 1870, however, a rapid development has taken place, and this has proceeded at a remarkable pace since 1900.

The last issue of the Statistical Year Book of Denmark gives particulars of 133 banks, in addition to the Rigsbank. These 133 banks had an aggregate share capital of somewhat over $53,000,000, and reserve funds amounting to about $11,500,000. Their total deposits amounted to $183,500,000, their loans to $129,700,000, and their discounted inland bills of exchange to $47,000,000.

In February, 1908, the excessive speculative activity of recent years, and especially the excessive support given by certain banks to building speculations, brought about a severe banking crisis in Denmark. To alleviate in some degree the resulting distress, the Government came to the aid of the banks, establishing an advisory committee and providing a substantial fund to guarantee the creditors of the insolvent institutions. The difficulties of the situation proved greater than had been anticipated, but they do not throw any important light on the operations of particular kinds of banking legisla-

tion, rather, perhaps, illustrating the possibilities of absence of restraint from the side of the law, and the difficulties which prevent the shareholders of large companies from controlling effectively those in whose hands the management of their property has been trusted. It is not necessary, for the purpose of the present report, to attempt any discussion of the causes and results of these recent bank disasters in Denmark.

(*b*) NORWAY.

As already related, the Danish Rigsbank, established in 1813, extended its activities to Norway as well as to Denmark. In the following year the new Government of Norway resolved to replace the branch of the Danish bank by an independent Norwegian Rigsbank, whose notes should be used to redeem those put in circulation in Norway by the Danish bank. Excessive issues by this new bank quickly brought depreciation, and by January of 1816 the notes were worth but 19 per cent of their face value. The situation was dealt with by a law of June 14, 1816, which established a new bank under the name of the Bank of Norway, with its headquarters in Trondhjem. The funds for the capital of the new bank were provided by a property tax. The capital was 2,000,000 species dalers ($2,144,000), and a further tax was to be levied of 2,000,000 bank dalers, to provide for the retirement of part of the excessive issues. In 1818 the remainder of the notes were redeemed by means of a loan, but at three-sixteenths of their face value. The new Bank of Norway received the grant of a monopoly of note issues,

with the obligation to arrange for the current redemption of notes before January 1, 1819. It was, however, relieved of this obligation by an enactment passed in August, 1818.

The law permitted the issue of notes to double the amount of the silver held by the bank, but the use of this right proved to yield a much larger circulation than was needed or could be maintained without depreciation. It was not till 1842 that the notes were actually redeemable. At that time a somewhat involved system of regulation of the amount of the issues according to the cash held was established. Of the total cash as much as one-third was permitted to be held abroad.

An increase of the note issue by 2,500,000 kroner ($670,000) was made in 1863 on terms which included the issue to the State of a share certificate for this amount, thus bringing the capital to 12,500,000 kroner ($3,350,000).

The law of 1892, which determined the present organization of the bank, fixed the fiduciary issue at 24,000,000 kroner ($6,432,000). Of the gold held against the rest, one-third may be held abroad, that is to say, foreign credits payable on demand in gold may be treated for the purpose of note backing as gold to the amount determined by this fraction. In addition, a sum not exceeding 3,000,000 kroner may be held in those countries with which Norway has entered into currency conventions, so that of the balances held to the credit of the Bank of Norway in the Swedish Riksbank and the Danish National Bank, the sum of 3,000,000 kroner may be accounted as equivalent to cash in hand.

The Bank of Norway renders its accounts weekly. They were formerly rendered twice in the month, and the rule was established that if the fiduciary issue should exceed that legally permitted, the bank should be called on to reestablish the legal position before the date of the next following account, and should pay at the rate of 6 per cent per annum on the excess to the treasury of the State. At certain times of the year the reserve of issuing rights has been rather narrow in recent years, and was but little over 2 per cent at the end of June, 1908, the total outstanding issue at that date being 81,174,000 kroner ($21,754,000), of which 47,951,000 kroner ($12,851,000) were covered by cash. The fiduciary issue having been raised to 35,000,000 kroner ($9,380,000) in 1900 the reserve margin was only 1,777,000 kroner ($477,000).

The division of the profits takes place as follows:

To shareholders up to 6 per cent; one-tenth of the balance to be added to the reserve so long as it is less than 5,000,000 kroner. The remainder is divided equally between the State and the shareholders until the latter have received 10 per cent, beyond which the State takes three-quarters of any excess, the shareholders one-quarter.

The head office was transferred to Christiania from the beginning of 1897, the office at Trondhjem becoming a branch. At present there are 12 branches in all.

The control of the bank remains entirely in the hands of the Government. The president of the managing committee of five is appointed by the Crown, the other members by the Parliament, which also elects the 15 members of the board of directors. Thus the private shareholders have no influence as such on the affairs of the

bank. The managers of the branches are also appointed by the Parliament, their term of office being six years. The accounts of the bank are required to be submitted to a special committee of the Parliament annually, parliamentary supervision replacing that of a shareholders' meeting.

As in Denmark, so also in Norway, banking legislation has been limited to the regulation of the bank possessing the monopoly of note issues. Other branches of banking are free to all. Nearly a hundred banks are in existence, but few of which have a capital of substantial amount.

The following tables show the volume of the note circulation in Sweden, Norway, and Denmark, and the average bank rate in those countries in each of the years 1904 to 1908:

Note circulation 1904–1908.

[In thousand kroner. The krone is equivalent to 26.8 cents.]

Country.	End of—	1904.	End of—	1905.	End of—	1906.	End of—	1907.	End of—	1908.
Sweden:		*Kroner.*		*Kroner.*		*Kroner.*		*Kroner.*		*Kroner.*
Maximum	September	171,359	December	183,713	December	201,911	September	207,552	December	201,490
Minimum	January	145,566	January	146,536	January	155,355	January	173,397	January	173,137
Average		156,972		163,150		177,161		187,347		183,671
Norway:										
Maximum	June	68,104	June	77,143	June	76,532	June	81,175	June	81,127
Minimum	January	55,438	January	55,679	January	59,864	January	62,923	January	66,424
Average		61,497		67,012		68,770		73,604		73,355
Denmark:										
Maximum	June	111,858	December	118,980	June	124,709	June	129,638	June	129,073
Minimum	January	99,237	January	98,028	January	107,406	February	112,394	January	113,968
Average		104,000		109,816		116,438		120,301		121,438

Average bank rate of discount.

Country.	1904.	1905.	1906.	1907.	1908.
Sweden:	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
Direct discounting	4.607	4.725	5.201	6.099	5.882
Rediscounting	4.381	4.353	4.892	6.099	5.615
Norway	4.901	4.860	5.176	5.219	5.344
Denmark	4.500	4.293	5.222	6.175	6.136

APPENDIX I.

OUTSTANDING NOTE ISSUES OF THE BANKS IN SWEDEN, 1899–1909.

[Expressed in million kronor.]

End of—	1899.			1900.		
	Riks-bank.	Other banks.	Total.	Riks-bank.	Other banks.	Total.
January	60.4	74.2	134.6	57.9	72.8	130.7
February	60.4	75.9	136.3	59.6	76.9	136.5
March	65.3	80.8	146.1	64.0	81.2	145.2
April	61.9	76.9	138.8	60.6	79.5	140.1
May	63.3	72.0	135.3	62.3	75.7	138.0
June	72.0	76.6	148.6	66.9	80.1	147.0
July	64.1	72.5	136.6	59.3	75.4	134.7
August	64.9	73.4	138.3	60.4	76.9	137.3
September	71.5	83.3	154.8	68.9	86.1	155.0
October	68.0	78.6	146.6	66.2	83.2	149.4
November	66.7	77.1	143.8	64.3	82.2	146.5
December	75.2	80.0	155.2	72.0	82.4	154.4
Maximum	75.2	83.3	155.2	72.0	86.1	155.0
Minimum	60.4	72.0	134.6	57.9	72.8	130.7
Average	66.1	76.8	142.9	63.5	79.4	142.9
Variation	14.8	11.3	20.6	14.1	13.3	24.3

End of—	1901.			1902.		
	Riks-bank.	Other banks.	Total.	Riks-bank.	Other banks.	Total.
January	59.6	74.7	134.3	85.8	49.0	134.8
February	56.9	79.0	135.9	85.3	50.6	135.9
March	65.5	83.6	149.1	95.3	52.5	147.8
April	61.1	79.3	140.4	90.0	48.5	138.5
May	63.7	75.9	139.6	90.5	45.7	136.2
June	69.8	79.4	149.2	101.3	47.0	148.3

Outstanding note issues, 1899–1909—Continued.

End of—	1901.			1902.		
	Riksbank.	Other banks.	Total.	Riksbank.	Other banks.	Total.
July	72.0	[a] 72.3	144.3	98.8	39.7	138.5
August	75.0	68.6	143.6	104.0	36.3	140.3
September	88.0	71.3	159.3	121.4	35.1	156.5
October	90.8	61.1	151.9	121.0	32.0	153.0
November	89.4	57.0	146.4	121.2	28.6	149.8
December	101.0	55.6	156.6	137.4	25.2	162.6
Maximum	101.0	83.6	156.6	137.4	52.5	162.6
Minimum	56.9	55.6	134.3	85.3	25.2	134.8
Average	74.4	71.5	145.9	104.3	40.9	145.2
Variation	44.1	28.0	22.3	52.1	27.3	27.8

End of—	1903.			1904.		
	Riksbank.	Other banks.	Total.	Riksbank.	Other banks.	Total.
January	122.6	20.9	143.5	145.6	4.1	149.7
February	124.3	20.5	144.8	147.4	3.6	151.0
March	136.8	20.0	156.8	163.1	3.4	166.5
April	131.4	18.1	149.5	152.5	3.2	155.7
May	133.3	16.4	149.7	150.7	3.0	153.7
June	143.6	15.2	158.8	163.8	2.9	166.7
July	135.7	12.8	148.5	151.0	2.8	153.8
August	142.9	9.2	152.1	150.7	2.7	153.4
September	160.6	7.5	168.1	171.4	2.6	174.0
October	155.8	6.2	162.0	161.3	2.6	163.9
November	154.2	5.3	159.5	156.0	2.5	158.5
December	165.8	4.6	170.4	170.3	2.4	172.7
Maximum	165.8	20.9	170.4	171.4	4.1	174.0
Minimum	122.6	4.6	143.5	145.6	2.4	149.6
Average	142.2	13.1	155.3	157.0	3.0	160.0
Variation	43.2	16.3	26.9	25.8	1.7	24.4

[a] During the two years following the middle of 1901 there were concluded at intervals operative arrangements between the Bank of Sweden and other note-issuing banks, in virtue of which the latter ceased to issue their own notes. The effect of the first of these is seen in the July return of 1901, and the others, as they came into force, contributed to the rapid reduction of outstanding issues of enskilda bank notes. From January 1, 1904, the Bank of Sweden alone has had the right of issue.

Outstanding note issues, 1899–1909—Continued.

End of—	1905.			1906.		
	Riksbank.	Other banks.	Total.	Riksbank.	Other banks.	Total.
January	146.5	2.2	148.7	155.4	1.6	157.0
February	149.7	2.1	151.8	160.1	1.6	161.7
March	165.4	2.1	167.5	178.7	1.6	180.3
April	155.2	2.1	157.3	167.7	(a)	167.7
May	153.4	2.0	155.4	168.3	(a)	168.3
June	171.1	2.0	173.1	186.5	(a)	186.5
July	154.6	1.9	156.5	166.4	(a)	166.4
August	157.7	1.9	159.6	173.5	(a)	173.5
September	183.2	1.9	185.1	198.3	(a)	198.3
October	171.7	1.7	173.4	188.3	(a)	188.3
November	165.4	1.7	167.1	180.9	(a)	180.9
December	183.7	1.7	185.4	201.9	(a)	201.9
Maximum	183.7	2.2	185.4	201.9	1.6	201.9
Minimum	146.5	1.7	148.7	155.4	1.6	157.0
Average	163.1	1.9	165.0	177.2	0.4	177.6
Variation	37.2	0.5	36.7	46.5	0.0	44.9

End of—	Riksbank.		
	1907.	1908.	1909.
January	173.4	173.1	168.7
February	176.5	174.1	176.5
March	196.8	189.8	192.8
April	183.1	174.9	179.7
May	178.9	176.1	181.1
June	194.4	188.8	193.8
July	178.2	174.4	178.8
August	183.9	178.9	172.7
September	207.6	196.9	196.0
October	195.6	191.0	190.6
November	189.6	184.5	184.7
December	190.1	201.5	201.9
Maximum	207.6	201.5	201.9
Minimum	173.4	173.1	168.7
Average	187.3	183.7	184.8
Variation	34.2	28.4	33.2

(a) Notes no longer current.

APPENDIX II.

A. LAW FOR THE BANK OF SWEDEN (RIKSBANK).

May 12, 1897.

CHAPTER I.—*Of the bank's capital.*

§1. The Swedish Riksbank, which is placed under the guaranty of the Parliament, shall conduct the business of banking in accordance with this law.

§2. The Riksbank's capital, exclusive of its real estate, office equipment, and its collection of coins and medals,[a] shall be 50,000,000 kronor.

CHAPTER II.—*Of note-issuing rights.*

§3. The Riksbank, in accordance with a special law regarding its rights of note issue and the legal tribunal to which it is subject, has the sole right of issuing bank notes.

These notes, in accordance with §72 of the Constitution, are legal tender throughout the Kingdom and shall be redeemed by the Riksbank, in accordance with the wording upon them, whenever redemption is demanded.

The redemption of the notes of the Riksbank shall be effected at the head office of the bank.

§4. The notes which are issued by the Riksbank shall bear the promise of the Riksbank to redeem them on demand in gold coin, in accordance with the terms of the

[a] By the law of May 14, 1902, there were inserted at this point the words "and the fund for installment loans referred to in §13, the administration of which is assigned to the Riksbank."

law of May 30, 1873, respecting the coinage of the Kingdom.

§5. The notes of the Riksbank shall be of the following denominations, and none other, namely, 5, 10, 50, 100, and 1,000 kronor.

§6. The Riksbank has the right to issue notes to the amount which is covered by the following items of its cash assets: (*a*) The metallic reserve, as defined in §8; (*b*) gold coin or bullion on deposit abroad or in transit therefrom and covered by a marine insurance policy; (*c*) the amount of its funds in current account with foreign banking establishments or mercantile houses.[a]

§7. In addition to the amount determined in accordance with the terms of §6, the Riksbank is entitled to a note issue[b] not exceeding 100,000,000 kronor, on condition that the notes thus issued are covered by assets of the following classes: (*a*) Readily realizable foreign-government securities; (*b*) the bonds of the State (Sweden), and of the General Mortgage Bank, and other Swedish bonds which are quoted on foreign bourses; (*c*) bills of exchange, inland or foreign.

§8. As the metallic reserve of the Riksbank there shall be included all Swedish and foreign gold coin and gold bullion

[a] By the law of May 3, 1901, the last five words of (*c*) were altered to "banks or banking firms," and there was added to the clause the words "after deduction of the amount owing on accounts of that nature by the Riksbank."

[b] In place of the words "not exceeding 100,000,000 kronor," etc., there were substituted by the law of May 3, 1901, the words "of 100,000,000 kronor, and in the event of the metallic reserve being in excess of 40,000,000 kronor, of a further amount not exceeding the sum by which the metallic reserve exceeds 40,000,000 kronor. The Riksbank's outstanding notes shall, in so far as they exceed the cash assets specified in §6, be covered by assets of the following classes: * * *

which is the property of the bank and is located within the kingdom.

The metallic reserve shall be maintained at an amount not less than 25,000,000 kronor.[a] The Riksbank shall, in the event of the notes issued in accordance with the terms of §7 being in excess of 60,000,000 kronor, hold an additional amount of metallic reserve amounting to at least 30 per cent of the amount by which such notes are in excess of 60,000,000 kronor.

CHAPTER III.—*Of the business of the bank.*

§9. The Riksbank shall conduct its business at its head office in Stockholm and at branches within the Kingdom; and at least one such branch shall be situated in each of the counties except Stockholm county.[b]

§10. The Riksbank may buy and sell gold and silver. Gold bullion, delivered to the mint for account of the Riksbank, shall be paid for by the bank at its value in Swedish money, or 2,480 kronor per kilogram of fine gold, with a deduction of a quarter of 1 per cent for the expenses of minting, and, in addition, if alloying or refining be required, the charges fixed for these services. The managers of the Riksbank may, however, in case they judge it advisable, relieve the seller of the expenses of minting or any part thereof.

§11. The Riksbank may buy and sell bills of exchange, drawn on foreign firms or on persons resident abroad, pay-

[a] By the law of May 3, 1901, there was substituted for 25,000,000 to the end of the section, the words "40,000,000 kronor."

[b] The word rendered here "county" is, in the original, "län," and describes the districts into which the Kingdom is divided for local government purposes There are, in all, 24 such districts

able within six months either at a place abroad or in Sweden, and may also acquire other foreign obligations payable within the above specified time, and again dispose of such holdings.

§12. The Riksbank may (*a*) buy and sell Swedish bonds, and such foreign government securities as are quoted on foreign stock exchanges and are readily realizable; (*b*) otherwise acquire both the bonds of the Swedish Government and readily realizable foreign government securities; (*c*) act as agent in the purchase and sale of bonds of the Swedish Government and of the General Mortgage Bank.

§13. The Riksbank may make advances in any of the following ways:

(*a*) By discounting accepted bills of exchange payable in Sweden within six months.

(*b*) By advances against a contract for repayment either at a fixed date not exceeding six months from the date of the advance, or on not exceeding three months' notice, and secured by bonds, shares, or other documentary security as collateral. Communal authorities and other bodies of similar public status may, however, be granted advances on the above-named conditions of repayment, without collateral security in addition to their own notes.

(*c*) By advances against a contract for repayment at a fixed date not exceeding six months from the date of the advance, and secured by a lien on merchandise stored in a public warehouse or in charge of third parties who bind themselves to hold the goods or their value at the disposal of the bank and are judged trustworthy in respect of such an undertaking.

(*d*) By the grant of cash credits and credit on current account for terms not exceeding twelve months secured by collateral consisting of bonds, shares, or mortgages on real estate or of personal guaranties; in this department of the Riksbank's business, however, a sum not exceeding in all 15,000,000 kronor may be employed, exclusive of the credit specified in § 14.

The Riksbank may also grant loans on contracts requiring repayment at certain fixed intervals (installment loans) and secured by such collateral as is specified in (*d*). These loans may at no time exceed, in the aggregate, 25 per cent of the capital of the Riksbank.[a]

§ 14. The national debt office shall be entitled to an open credit at the Riksbank to an amount not exceeding 1,500,000 kronor. The national debt office shall not be required to deposit security for advances under this head or to pay any commission.

§ 15. Loans may be made to members of the managing committee of the Riksbank or of any of its branches only on the security of merchandise stored in a public warehouse or of bonds of the Swedish Government, of the General Mortgage Bank, or of mortgage associations, and open credits may be granted them only on the security of the bonds specified.

Loans, open credits, or overdrafts may not be granted on the guaranty of a member of the managing committee

[a] By the law of May 14, 1902, the final paragraph of § 13 was altered to read as follows:

"From a separate fund under the administration of the Riksbank (the installment loan fund), with a capital of 12,500,000 kronor, the bank may grant loans on contracts requiring repayment at certain fixed intervals, and secured by such collateral as is specified in (*d*)."

of the bank or of any of its branches; and bills of exchange bearing the name of a member of the managing committee of the bank, or of any of its branches, as drawer, acceptor, or last indorser may not be discounted by the Riksbank.

§ 16. The Riksbank shall, both at its head office and at its branches, receive from everyone who demands the accommodation:

(*a*) Deposits of money repayable without interest on demand or at a time fixed when the deposit is made. No charge shall be made for receiving such deposits, and the receipt for the amount deposited shall be made out in favor of a person named therein.

(*b*) Deposits of money, also without charge and free of interest, to be credited to a ledger account in favor of the depositor (giro-account), the balance of the account to be held at the disposal of the depositor on demand.

In connection with these latter accounts the Riksbank shall make such arrangements as may be necessary for the efficient conduct of the clearing house.

The managers shall be empowered further to open current accounts, and to pay interest on the balances of such accounts, for firms which do discounting business with the Riksbank, provided they do not themselves conduct banking business.

§ 17. The Riksbank is required to receive money on behalf of the Government and to effect payments from credit balances so held, in accordance with the directions on the subject contained in the regulations of the Riksbank. No interest shall be payable on sums thus held by the bank.

§ 18. Everyone is entitled to make payments of money at the head or any branch office of the Riksbank, and to receive in exchange, free of charge, a draft for the amount on the Riksbank in Stockholm, payable on presentation.

§ 19. The Riksbank shall receive for safe-keeping deposits of gold or silver, coin or bullion, and of bonds, shares, or other securities. The regulations of the Riksbank shall specify both how far such business shall be conducted at other offices than the head office (at which facilities for receiving valuables shall always be provided), and the detailed rules which may be found requisite for the purpose.

Sealed deposits shall also be accepted for safe-keeping at the Riksbank, in accordance with the detailed regulations on the subject.

§ 20. The Riksbank shall, when it is deemed requisite by the managers, arrange for foreign loans or credits not exceeding in amount the limit specified in the regulations of the Riksbank.

Further, the Riksbank may open accounts, with or without interest, with such banking and mercantile houses abroad as are of good repute and sound credit.

§ 21. The Riksbank may conduct a printing business at its printing works and the business of paper making at its paper mills.

§ 22. The Riksbank shall not take part in or conduct any class of business other than those which are expressly permitted to it by the terms of this law; nor shall the Riksbank own other real estate than that which is de-

voted to the accommodation of its offices and that which is found requisite for the paper mills and printing works.

In case the rights of the Riksbank shall be affected by the sale by auction of real estate or other property on which it has a lien, the bank shall not be prevented from buying in such property; but property thus acquired shall be again disposed of when a suitable opportunity occurs and, in any case, when it can be effected without loss.

CHAPTER IV.—*Of accounts and their publication and of the reserve fund.*

§ 23. At the end of every calendar year the books of the Riksbank shall be completely made up, and a summary, giving a complete presentation of the position of the bank, shall be prepared on the basis thus determined and shall be printed and distributed with the Official Gazette as speedily as possible.

§ 24. Immediately after the close of each month a summary shall be prepared showing under their several heads the assets and liabilities of the Riksbank. This summary shall be promptly printed and distributed with the Official Gazette.

For each week there shall be drawn up and inserted in the Official Gazette a statement of the metallic reserve of the Riksbank, and of the other cash items specified in § 6, together with the amount of the outstanding notes and of the amount by which the legal rights of issue exceed the actual issue.

§ 25. The Parliament has the right to determine the disposal of the yearly profits of the Riksbank, with due regard to the provisions of § 26 below.[a]

§ 26. Of the realized yearly profits of the Riksbank at least 10 per cent shall be assigned to the reserve fund of the bank. When the reserve fund has reached at least 25 per cent of the bank's capital, further payments to the reserve fund may cease. Should the reserve fund at any time be reduced below this amount, allocations to it from the profits shall be renewed.

The Riksbank shall hold an amount corresponding to not less than the amount of the reserve fund in easily realizable foreign government securities. It shall be the duty of the managers in case it be necessary at any time to dispose of such securities for the purpose of strengthening the cash items specified in § 6, or of providing for losses incurred in the course of the bank's business, so that the holding of these securities falls below the amount specified above, to restore the amount to a figure corresponding to the reserve fund as soon as it may be possible to do so.

CHAPTER V.—*Of the management of the bank.*

§ 27. The Riksbank shall, in accordance with § 72 of the Constitution and § 71 of the regulations of Parliament, be managed by seven directors.

[a] To this there was added by the law of 14 May, 1902, the following:

"With the yearly profits of the Riksbank shall be reckoned the profit arising from the operations of the installment loan fund, provided that in case this fund shall be reduced by losses below the amount of 12,500,000 kronor, the yearly profits of the fund shall thereafter be devoted in the first place to bringing the fund up to that amount."

The president, who may not hold any other office in the Riksbank, shall be paid out of the funds of the bank an annual salary equal to that of each of the other directors as determined by the scale of salaries fixed by Parliament.

§ 28. In accordance with § 72 of the Constitution and § 73 of the regulations of Parliament, four substitutes shall be appointed for the directors.

§ 29. Members of the council of the state or managers of the national debt office may not be directors of the Riksbank.

§ 30. No person shall be appointed a director of the Riksbank unless he be a Swedish citizen; nor if he be subject to legal guardianship; nor if his property has been in the hands of receivers and he can not show that it has passed from their control; nor if he has been condemned to loss of civil rights or be charged with offenses which may result in such loss; nor if he has been excluded from practice in the courts of law or from holding service under the Crown.

A director may not be a member of the managing board of any other bank except a savings bank or the Postal Savings Bank.

§ 31. In case the King, either on representation from the directors of the Riksbank or for other reason, shall appoint a representative to discuss any special business with the directors, the directors shall hold a consultation with the King's representative, but they are forbidden to arrive at a determination of the matter under discussion until the said representative has withdrawn.

§ 32. After the close of each year the directors shall present to the parliamentary committee on banking a report on the position, the business, and the management of the Riksbank. This report shall be printed and be made accessible to the public.

§ 33. The boards of management of the branch offices shall be appointed by the directors in accordance with the more detailed provisions of the regulations for the Riksbank.

§ 34. The directors may not receive instructions regarding the business of the Riksbank from any other authority than the Parliament and from the parliamentary committee on banking in respect of those matters in which the committee is entitled to give instructions on behalf of Parliament. The directors are in these matters responsible to the Parliament or its banking committee and auditors alone.

Questions touching the freedom from responsibility of directors shall be determined by the Parliament.

The responsibility of directors and of managers of branch offices shall be determined by special statutes.

§ 35. A director of the Riksbank or a member of the managing board of a branch office may not act as agent in connection with the discount of bills of exchange or the provision of loans or open credits at the head or branch offices of the Riksbank.

Should this regulation be broken by a director, information shall be given to the law officers of Parliament, who shall take proceedings in accordance with the provisions of the statutes regulating the responsibility of directors.

Should the regulation be broken by a member of the managing board of a branch office, procedings shall be taken in accordance with the regulations of the Riksbank and the special statute regulating the responsibility of such managers.

§ 36. The following matters relating to the business of the Riksbank shall be regarded as confidential: Particulars of discounts, loans, credits, and other matters involving the relations of clients to the bank, the consideration and determination by the directors of the matters specified in § 11 and in § 12, subsections (*a*) and (*b*) of this law, the means of maintaining the metallic reserve, and the manufacture of bank notes.

The consideration and determination of such questions shall be dealt with in special records, the contents of which shall be kept secret so long as the banking committee of Parliament, the auditors, or the directors of the Riksbank shall consider that secrecy is necessary in the interests of the bank.

§ 37. The directors and auditors and the members of managing boards of branches, all officers of the Riksbank, and those who assist the auditors in their examination of the conduct and management of the bank shall maintain complete secrecy as to everything regarding the relations of private persons to the Riksbank and everything touching the management which is of such a nature as to require secrecy in accordance with this law and the regulations of the Riksbank.

§ 38. Further instructions regarding the management of the Riksbank which may be necessary, in addition

to the provisions of this law, shall be set forth by Parliament in special regulations.

These regulations shall be drafted in such agreement with the provisions of this law that they may contain nothing which is in conflict with the law.

CHAPTER VI.—*Transitional provisions.*

§ 39. This law shall be in force from January 1, 1899, except as to those parts which are specified below.

§ 40. The provisions of Chapter V as to the conduct and management of the Riksbank shall become operative immediately.

§ 41. In accordance with the law regarding the rights of note-issue of the Riksbank and the tribunal under whose jurisdiction it is placed, private banks retain the right of issuing their own notes until the end of the year 1903, and the Riksbank is required to grant to these banks the facilities specified below.

From the beginning of the year 1899 and till the end of the year 1903 any private bank which, after at least three months' notice to the secretary of the department of finance, abandons its right to issue its own bank notes and maintains all those branch offices which were in operation on January 1, 1896, shall be entitled to the following facilities:

The grant of an open credit, up to the half of the amount of its notes outstanding on the last-named date, against security approved by the directors and without other charge than interest on the amount drawn, which

shall be charged at 2 per cent below the current rate for the discount of three-months' bills of exchange, provided the rate charged is not less than 2 per cent per annum.

The rediscount at the Riksbank, up to the half of the amount named, of bills of exchange approved by the directors, at a rate of discount not exceeding two-thirds of that otherwise in force at the Riksbank.

On the receipt of the above-named notice by the secretary of the department of finance, the directors of the Riksbank shall be immediately informed thereof.

From the beginning of the year 1904 to the end of the year 1908 any private bank which has maintained all the branch offices specified above shall be entitled to rediscount facilities on the terms above named to the amount of 40 per cent of the aggregate of its notes outstanding on January 1, 1896.

In case a private bank which, in accordance with the above provisions, receives or would otherwise be entitled to receive credit or rediscount privileges, has closed or shall thereafter close any of its branch offices which were in operation on January 1, 1896, the King may determine, with due regard to the extent and importance for the business of the community of the offices thus closed, whether and how far their closing shall involve the reduction of the amount of such credits or rediscounts, or whether the bank shall be entirely deprived of these privileges.

The right to credit and to rediscounting facilities, which is set forth above, shall be retained even should

the private bank be converted into a limited liability banking company.[a]

[a] By the law of May 3, 1901, the following important addition was made to the provisions of § 41:

"In place of the facilities herein secured to private banks, the directors of the Riksbank shall be entitled to grant to any private bank which, under arrangements made with the directors as to the time and conditions for the cessation of its issues of notes, shall resign its rights of note issue before the end of the year 1903, and has not closed and does not, throughout the period of the agreement, close any of the branch offices which were in operation on January 1, 1896, without the assent of the King or the directors, the following facilities, viz:

"A loan not exceeding 65 per cent of the amount of the private bank's notes outstanding on January 1, 1901, and an open credit not exceeding 10 per cent of the same amount, against security approved by the directors, and the private bank shall be entitled to be relieved of other charges on the open credit than interest on the amount drawn, but shall be required to pay, both on the loan and on the credit, interest at 2 per cent less than the current rate of discount charged by the Riksbank on three months' bills of exchange, provided that the rate thus fixed be not less than 2 per cent per annum. The amount of the loan and of the credit shall, before the end of the month of December in each year, beginning with the year 1903, be reduced by one-eighth part of their original amounts.

"The directors shall be entitled further to grant to a private bank, in accordance with such an arrangement as is specified above, the right of rediscounting at the Riksbank bills of exchange, approved by the directors, within the limit of 25 per cent of the private bank's bank notes outstanding on January 1, 1901, at a rate of discount not exceeding two-thirds of the rate otherwise current at the Riksbank. This right of rediscount shall also, beginning with the close of the year 1903, be reduced each year by one-eighth part of its original amount.

"The facilities thus granted to a private bank shall be retained, in case the private bank be converted into a limited liability banking company, by the said company.

"The directors shall, further, be entitled in the case of any limited liability banking company into which a private note-issuing bank may have been converted before January 1, 1901, to make arrangements in reference to the facilities specified above, but based on the said bank's outstanding circulation on January 1, 1896.

"When a private bank has effected an arrangement with the directors of the Riksbank whereby it undertakes to resign its note-issuing rights on a fixed date, the directors shall notify the secretary of the department of finance thereof without delay."

§ 42. In the interval from the beginning of the year 1899 to the end of the year 1903 the assets which, in accordance with § 7, are required to be held against the excess of the Riksbank's circulation over and above the amount determined in accordance with § 6, may include such claims on private banks in respect of credits granted to them as are specified in § 41.[a]

§ 43. The provisions of § 9 in regard to branch offices of the Riksbank shall be brought into operation gradually, and shall be completely carried out before the close of the year 1904.

[a] In accordance with the modification of § 41, the form of § 42 was changed by the law of May 3, 1901, to the following:

"Among the assets which, in accordance with § 7, are required to be held against the excess of the Riksbank's circulation over and above the amount determined in accordance with § 6, may be included, up to the end of the year 1903, the claims on private banks in respect of credits granted them, which are specified in the second paragraph of § 41, and also to the end of the year 1910 the loans to private banks and the claims on such banks in respect of credits granted them which are specified in the seventh (i. e., the supplementary) paragraph of the same section.

APPENDIX II.

B. REGULATIONS FOR THE ADMINISTRATION AND MANAGEMENT OF THE BANK OF SWEDEN (THE RIKSBANK,) ISSUED MAY 29, 1907.

PART I.—GENERAL PROVISIONS.

§ 1. The Riksbank remains under the guaranty of the Parliament, and is managed by the directors appointed for that purpose in accordance with the law jointly sanctioned by the King and Parliament and the special provisions of the present regulations.

§ 2. (1) The capital and reserve fund of the bank are determined by the law for the Bank of Sweden of the 12th May, 1897, §§ 2 and 26.

(2) The surplus of net assets over and above the amount of the capital and reserve fund shall be entered in the balance sheet as reserved resources.

§ 3. In regard to the note issue and the metallic reserve, the provisions of the law for the Bank of Sweden of the 12th May, 1897, Cap. II, apply.

§ 4. The bank is required to redeem its notes on demand at its head office on the basis determined by the King and Parliament, so that notes in kronor or currency dalers are redeemed at their face value, notes in specie dalers or bank dalers at the rate of 1 specie daler or bank daler for 1½ currency dalers, and notes [illegible] 10 skillings copper after the same rate as for notes in bank dalers.

§ 5. The procedure, in the event of the failure of the bank to redeem its notes on demand, is determined by the law relating to the note-issuing rights of the Bank of Sweden, etc., of the 12th May, 1897, § 2.

§ 6. The publication of bank statements is determined by §§ 23 and 24 of the law for the Bank of Sweden of the 12th May, 1897.

PART 2.—OF THE BUSINESS OF THE BANK.

(*a*) *Of the purchase and sale of gold, silver, foreign bills of exchange, and bonds, and of the maintenance of the metallic reserve.*

§ 7. (1) At both the head and branch offices of the bank Swedish gold coin, struck in accordance with the royal ordinance of the 31st July, 1868, and earlier statutes, is accepted at its value in current coin.

(2) Swedish silver coin, struck in accordance with the royal ordinance of the 3d February, 1855, and earlier statutes, is accepted by the bank on the basis determined by § 3 of the law of 30th May, 1873, respecting the introduction of the new coinage system.

(3) In regard to foreign gold and silver coin which is not authorized to pass as current money in Sweden in accordance with conventions to that effect, the directors have power to determine both the varieties of coin which shall be purchased and the price to be given for each.

(4) The purchase and sale of gold and silver are provided for in the law for the Bank of Sweden of the 12th May, 1897, § 10.

Gold and silver imported by sea shall be covered by a marine insurance policy.

(5) In regard to the acceptance of uncoined gold at the branch offices, the directors are empowered to lay down such regulations as they may deem necessary.

(6) The directors may determine whether bar silver and other uncoined silver may be purchased by the bank and may, after inquiry, fix the price to be paid.

(7) The directors are empowered to decide as to the emission of Swedish gold coin struck before the year 1873, or of foreign gold or silver coin which is not authorized to pass as current money in Sweden in accordance with conventions to that effect.

(8) Bar gold and bar silver is held at the head office for sale at such advance in price as the directors may determine.

§ 8. (1) The right of the bank to purchase, or to acquire otherwise, and to sell, both foreign securities and certain classes of bonds, and to act as agent in the purchase and sale of Swedish and foreign bonds, is determined by the law for the Bank of Sweden of the 12th May, 1897, §§ 11 and 12.

(2) The directors are empowered to place the bank's holdings of foreign securities on deposit with known and reliable foreign banking establishments or business houses, and to issue drafts against such deposits.

(3) The directors have the right to determine in each individual case the conditions on which accounts shall be opened with foreign banking establishments and business houses in accordance with the law for the Bank of Sweden of the 12th May, 1897, § 20, second part.

In the event of the metallic reserve showing a tendency to diminish to the amount fixed as its minimum limit by § 8 of the law for the Bank of Sweden of the 12th May, 1897, it shall be the duty of the directors to take, in good time, such steps as may be deemed appropriate in the circumstances of each case, either by the sale of bonds or government securities, by the reduction of the outstanding note issue through decrease of loans and discounts, or by the use of credits arranged abroad. The directors have the power to select that or those of the courses specified which they may deem best in the circumstances for the attainment of the end in view.

§ 10. The amount of the foreign credit of which the bank is empowered to make use by the law for the Bank of Sweden of the 12th May, 1897 (§ 20, first part), may not exceed 20,000,000 kronor.

(*b*) *Of the notes of the bank, of the exchange of notes and of coin, and of other means of payment received by the bank.*

§ 11. (1) The text of the notes which the bank issues in accordance with the law for the Bank of Sweden of the 12th May, 1897, shall run as follows: The Bank of Sweden will, on demand, redeem this note of ..... kronor with gold coin in accordance with the law of the 30th May, 1873, respecting the coin of the realm.

(2) These notes shall bear the signatures of two of the bank's officers. Notes of the 1,000 kronor denomination shall be signed by hand, but the signatures shall be printed on notes of other denominations.

(3) The head and branch offices of the bank shall always be provided with the bank's notes for exchange against lawful coin of the realm.

(4) In regard to the redemption of worn and damaged notes, the provisions of the royal ordinances of the 5th March, 1836, the 4th February, 1859, the 7th November, 1873, and the 24th October, 1890, shall be followed, and also the instructions for officers of the bank's head office.

(5) In the case of the presentation of notes so soiled and damaged that the redemption is a matter of the investigation and testing of special considerations and evidence, and not of the examination of the notes themselves, the directors shall determine the question of their redemption.

(6) Notes of denominations expressed in dalers, and notes of 1 krona, when received at the bank, shall be rendered unusable in the manner prescribed for that purpose.

§ 12. There shall be available at the head office of the bank Swedish coin, including divisional coin of all the denominations struck at the mint under the existing laws. It is the duty of the directors to insure that so far as possible the requisite supplies of each variety are provided.

Further, in accordance with § 16 of the law respecting the coin of the realm of the 30th May, 1873, there shall always be provided at the branch offices in Gothenburg and Malmö a stock of gold, silver, and bronze coin sufficient for the exchange of such currency as is legal tender

only in payments to the State against equal sums of current coin, and for the issue of gold coin in exchange for divisional money in any multiple of 10 kronor.

At other branch offices gold, silver, and bronze coin is paid out only in proportion as it is received.

The currency of coin, including divisional coin, is determined in the law respecting the coin of the realm of the 30th May, 1873, §§ 13 and 14, the latter as modified by the royal ordinance of the 25th June, 1881.

§ 13. (1) The head and branch offices shall accept, in exchange for current money, any amounts of copper coin, struck in accordance with mint indentures of earlier date than the year 1855, and of the tokens issued by the national debt office. Such coins and tokens shall not be reissued.

(2) Divisional money of copper, struck in accordance with the mint indenture of 1855, shall also be retained by the bank.

(3) The directors shall determine at what value such copper divisional money as is no longer reissued for circulation shall be entered in the accounts of the bank.

§ 14. For payments to the bank, and deposits therein, at both head and branch offices, in addition to coin of the realm and the notes of the bank, there may be used the drafts of the head and branch offices, notes issued by enskilda banks so far as the directors may determine that they should be recognized as acceptable, and, as the directors may approve, drafts payable at sight issued by other financial institutions.

The directors may lay down rules in regard to the acceptance of notes and drafts of such institutions.

§ 15. The head and branch offices shall be open to the public on all days except holy days at hours to be determined by the directors.

(*c*) *Of bank post bills.*

§ 16. (1) The drafts which, in accordance with § 18 of the law for the Bank of Sweden of the 12th May, 1897, are issued by the bank shall be made out to a named person or order and may not be transferred in blank.

(2) Money may be paid into any of the offices of the bank and a like sum be notified by telegram by the office where it is received to be paid to a person designated at any other of the bank's offices. The paying office shall, however, be entitled, if the payment in ready cash present difficulties, to issue a bank post bill for the amount, payable at the head office. The directors are empowered to issue special instructions fixing the commission and the conditions generally which, with due regard to the security of the bank, may be deemed proper for the exercise of the rights in question.

(*d*) *Of deposit and current accounts.*

§ 17. The bank is required, in accordance with the law for the Bank of Sweden of 12th May, 1897 (§ 16*a*), to accept deposits of money free of charge at its head and branch offices, and to repay the sums deposited, without interest, on demand or at a date fixed at the time of making the deposit. The receipt for such deposits shall be made out in favor of a named person.

Such deposit receipts shall be delivered up when the money is withdrawn.

§ 18. (1) In accordance with the law for the Bank of Sweden of the 12th May, 1897 (§ 16*b* and § 17), the bank shall—

At its head and branch offices accept from whomsoever may desire such a service money to be carried to a ledger account on which no commission shall be charged or interest paid, and be under obligation to repay the depositor on demand the amount standing to his credit.

Also, without payment of interest, accept payments on account of the Treasury of the State and make payments from the funds standing to the credit of the State.

(2) For this class of business the following principal rules shall apply:

(*a*) Written notice shall be given of the opening of an account.

(*b*) Deposits and withdrawals may be made of sums of any amount, fractional or other.

(*c*) A receipt is provided for deposits, which receipt is not transferable.

(*d*) For withdrawals there may be used either written or printed drafts, or checks to a named person or order, and these may not be transferred in blank. The depositor shall be provided with a book of blank checks duly numbered, without charge.

The directors may notify other appropriate regulations.

§ 19. In the event of the opening, in accordance with § 16 of the law for the Bank of Sweden of the 12th May, 1897, of interest-bearing current accounts with firms conducting a discount business with the bank, and not them-

selves doing a banking business, the following are the principal rules which shall apply to such business:

(*a*) Deposits and withdrawals may be made of any amounts, fractional or other.

(*b*) A receipt is provided for deposits, which receipt is not transferable.

(*c*) For withdrawals checks to a named person or order are used. These may not be transferred in blank. The depositor is not entitled to use other blank checks than those provided by the bank. For these blank checks, which shall bear an acknowledgment of the receipt of the sum withdrawn, no charge may be made.

(*d*) A check drawn on an account is payable on presentation, provided that the sum standing to the credit of the account is sufficient to meet the check.

(*e*) Interest is reckoned on deposits beginning with the first business day after the deposit is made and reckoned on the highest multiple of 100 kronor in the balance to credit of the account.

(*f*) The directors determine the maximum of what may be accepted on any one account, and the rate of interest, which may vary as between the head office and the different branch offices.

The directors may notify other appropriate regulations.

(*e*) *On the acceptance for safe-keeping of gold, silver, and securities, and of sealed packets.*

§ 20. (1) When in accordance with § 19 of the law for the Bank of Sweden of the 12th May, 1897, gold or silver in coin or bars is received for safe-keeping at the head office

of the bank, a receipt for the deposit shall be issued. This receipt, which shall be made out in favor of a person named therein, shall state:

(*a*) The weight of the gold or silver, whether coined or uncoined, and, further, in the case of coin, the number and value of each variety and, in respect of bullion, a statement of its fineness, of which the depositor is required to present a certificate from the assay office;

(*b*) Its estimated value in coin of the realm; and

(*c*) The bank's undertaking, on presentation of the receipt and payment of the commission specified below, to deliver up the deposit, or, in case that should not be possible, to pay the amount named in the receipt in coin of the realm.

(2) When, in accordance with the provision of the law cited in clause (1) the head office of the bank accepts for safe-keeping bonds, shares, or other securities of the nature which the directors determine, there shall in like manner be issued a receipt therefor. In such cases each variety of bonds, shares, or other securities shall be regarded as a separate deposit, and one receipt shall not be made to cover securities of more than one class and variety. In general, the receipt shall specify:

(*a*) The numbers, dates of issue, and amounts, and also the series, running number, or other identifying marks, and the value placed on the securities, which latter shall, as far as possible, be determined in accordance with the current quotations for the securities; and

(*b*) The bank's undertaking to deliver up the securities deposited on presentation of the receipt and payment of the

commission specified below, or to furnish other securities of the same class, variety, and amount, or to pay the value of any missing securities at the prices specified in the receipt.

(3) The commission payable for the safe-keeping of gold, silver, or securities shall be $\frac{1}{10}$ per cent per annum of the value stated in the deposit receipt, fractions of thousands being reckoned as whole thousands. Without regard to the duration of the period for which the deposit is made, there shall be paid, on making the deposit, commission for at least one year. The commission shall not in any case be less than 1 krona per annum for each separate deposit.

Should a depositor present for safe-keeping securities of the same class and variety as he has already on deposit at the bank, he may, on presenting his older receipt, obtain a new receipt covering both the new and the old deposit. In this case the commission charged on the new receipt for the unexpired period of the older one shall be reckoned only in proportion to the unexpired term and for the newly deposited securities; it shall, however, not be less than 1 krona.

Should the deposit not be withdrawn within the period for which commission has been paid, it is regarded as renewed for one year on the existing terms. Should a depositor withdraw the deposit before the expiration of the period for which commission has been paid, he shall not be entitled to recover any part of the commission. Securities notified or drawn for redemption may, however, be replaced by others of the same class and variety, and these may be substituted for an equal value in redeemed

securities without further payment of commission. Should no fresh securities be substituted for those redeemed, a new receipt shall be issued for the remaining securities and for the unexpired period covered by the commission already paid without extra charge.

(4) In case the directors, in accordance with the final provision of § 19 of the law for the Bank of Sweden of the 12th May, 1897, have arranged for the acceptance for safe-keeping at the head office of packages or of other movable property, an official appointed by the directors shall assure himself that the contents are not of a nature to hinder the acceptance of the deposit, and that official shall, in his office at the bank, seal the deposit with the seal of the depositor, and a deposit receipt shall be issued. The receipt, which shall be in favor of a person named in it, shall in general contain:

(*a*) A description of the external appearance and cubic content of the package; and

(*b*) The bank's undertaking to deliver up the goods with the seal intact on presentation of the receipt and payment of the commission specified below, but without liability on the part of the bank for involuntary injury or accident.

(5) For sealed packages the commission shall be reckoned in accordance with their cubic content and the duration of their deposit, so that for each month there shall be paid—

For packages with a cubic content—	Kronor.
Not exceeding 25 cubic decimeters	0.50
Exceeding 25 cubic decimeters and up to 50 cubic decimeters	0.75
Exceeding 50 cubic decimeters and up to 75 cubic decimeters	1.00
Exceeding 75 cubic decimeters and up to 100 cubic decimeters	1.25
Exceeding 100 cubic decimeters and up to 125 cubic decimeters	1.40
Exceeding 125 cubic decimeters and up to 150 cubic decimeters	1.55

and so on, rising by 15 öre for each further 25 cubic decimeters of cubic content or part thereof. Without regard to the period for which the deposit is made, a commission for at least three months shall be paid in all cases.

(6) In regard to the deposit for safe-keeping in the bank of gold, silver, securities, or sealed packages, the following rules shall apply:

If the depositor is not satisfied with the bank's estimate of the value of the gold, silver, or securities, or with the measurement of packages or the commission charged, the deposit shall not be accepted.

Further, in the case of sealed deposits, at least the minimum commission fixed as above for each deposit shall be paid at the time of deposit:

For each month commenced commission shall be charged as for a complete month, and

Commissions not previously paid shall be payable at the end of each calendar year.

(7) Any further regulations necessary for the conduct at the head office of the business dealt with under the preceding clauses (1) to (6) may be notified by the directors.

(8) Should the directors, in accordance with § 19 of the law for the Bank of Sweden of the 12th May, 1897, have arranged for the receipt at any branch office, for safe-keeping, of gold, silver, securities, or sealed packages, the directors may prescribe the details of the regulations which they may deem necessary for conducting this class of business, having regard to the principles laid down above.

(9) In regard to the safe-keeping for government departments of securities or sealed packets, the directors have power to effect a special agreement with the authority in question, and commission may be charged at a reduced rate or be entirely remitted.

Regulations as to the safe-keeping at the bank of bonds and securities belonging to the postal savings bank and of the safe-keeping of documents in connection with the agreement between the State on the one side, and on the other the Luossavaara-Kiirunavaara Company and others, respecting certain mineral properties, etc., are contained in § 51 below.

(10) Notwithstanding the regulations in the second and third of the preceding clauses as to the form and content of deposit receipts and the redelivery of the valuables, the directors are empowered to make such further regulations as they may deem appropriate regarding deposits of large amount.

(f) Of the lending operations of the bank.

§ 21. (1) [Contains a list of the offices and of the geographical limits within which the business of each is to be conducted.]

(2) Discounts, loans, credits, and overdrafts may not be granted to those not resident or carrying on an established business in the several lending districts. As maker, acceptor, or indorser of a bill, or as mortgagee or guarantor, those may, however, be accepted who do not belong to the district in which discounts, loans, credits, or overdrafts are applied for.

Without regard to the division of the country into districts, loans may be made on collateral security (but without right to repay by installments) and credits opened on similar security, and also, at the head office, overdrafts may be granted.

Further, banking establishments, whether belonging to the head office's district or not, may be granted loan facilities of all classes at that office.

§ 22. In accord with the provisions of § 13 of the law for the Bank of Sweden of the 12th May, 1897, the lending operations of the bank comprise—

(*a*) Discount of bills of exchange.

(*b*) Loans secured by pledge of bonds, shares, or other securities, or, in particular cases, by the borrower's note alone.

(*c*) Loans secured on merchandise.

(*d*) The grant of open and current account credits.

(*e*) The grant of advances from the installment loan fund.

(*a*) DISCOUNT OF BILLS.

§ 23. (1) Bills which are discounted by the Bank shall be drawn in Swedish money, be accepted, and payable within six months of the date of their offer for discount at such places within Sweden as are recognized as banking centers by the directors.

(2) Bills payable at a place other than that where the acceptor resides shall bear the name of a person or firm resident in the place of payment from whom payment at the due date may be procured.

(*b*) LOANS SECURED BY THE PLEDGE OF BONDS, SHARES, OR OTHER SECURITIES, OR, IN CERTAIN CASES, BY THE BORROWER'S NOTE ALONE.

§ 24. (1) Loans are granted against a promise of repayment either at a fixed date not later than six months thereafter or at not more than three months' notice, secured by collateral consisting of bonds, shares, or other securities. The directors have the right to determine what securities shall be accepted as collateral and at what quotation they shall be taken.

(2) Municipalities and other associations of a like order and institutions may be granted loans on the above conditions of repayment without other security than their own notes.

(*c*) LOANS ON MERCHANDISE.

§ 25. (1) Loans are granted against a promise of repayment at a fixed date not later than six months thereafter secured by collateral consisting of merchandise in a public warehouse, or stored in the keeping of a third party who is pledged to hold it or its value at the disposal of the bank and is accepted as reliable for the fulfillment of such a pledge.

A warrant, in which the goods are specified and described shall be issued in favor of the bank or assigned to the bank's head office or the branch office concerned.

(2) The directors determine the classes of goods on which loans may be made, and their value as security, and are empowered to prescribe such measures of control with regard to the proper storage of the goods as they judge appropriate and necessary for the bank's security.

(3) The formalities connected with the release of goods thus pledged, or any part thereof, shall be in accordance with what is prescribed for such cases or may be prescribed in future by the directors.

(4) Both the directors and the managers of the branch concerned, the latter each for the district assigned to that branch, are entitled to cause goods pledged to the bank and stored in warehouses or other places of storage to be inspected and inventories made of them, as often and in such manner as may be found most convenient and necessary for the security of the bank.

(*d*) THE GRANT OF OPEN AND CURRENT ACCOUNT CREDITS.

§ 26. (1) A credit shall be opened in favor of the national debt office as prescribed in the law for the Bank of Sweden of the 12th May, 1897, § 14.

(2) In general credits may be opened on the security of bonds, shares, or mortgages on real estate, and also secured by guarantors, after the consideration of applications for such credits by the branch managers concerned or, when that is specially prescribed, by the directors, who shall decide on such applications.

(3) Credits shall not be granted for a longer term than twelve months.

(4) The commission to be charged is fixed by the directors and may be different for different cases.

(5) Withdrawals and deposits may be made in any amounts, even or otherwise. Interest is charged on amounts advanced from and with the day on which the advance is made. If the amount outstanding be not an exact multiple of 10 kronor, interest shall be charged on

the lowest multiple of 10 kronor which exceeds the amount outstanding.

(6) For withdrawals there may be used either written drafts, made out in favor of a named person, or checks to a named person or order, and these may not be transferred in blank. The borrower may not make use of other check forms for this purpose than those supplied to him by the bank. For these blank checks, on which an acknowledgment of receipt shall be written, no charge shall be made.

(7) A borrower who, at the expiration of the period for which the credit was granted, has been accorded a new credit to run from that date, is entitled to have any balance due from him at the expiration of the former credit transferred to the new account, so far as such balance does not exceed the amount of the newly opened credit.

(8) Current account credits (overdrafts) may be granted by the directors for terms not exceeding twelve months, and secured by the same classes of collateral as are prescribed for open credits, and in general on such terms as the directors prescribe, but no commission shall be chargeable on such credits.

(9) The aggregate amount of such credits as may be granted by the bank under clause (2) above, and of overdrafts, shall be limited, as prescribed in the law for the Bank of Sweden of the 12th May, 1897 (§ 13d), so as not to exceed 15,000,000 kronor.

(*e*) GRANT OF LOANS FROM THE INSTALLMENT LOAN FUND.

§ 27. (1) Installment loans are granted against the note of the borrower, with either collateral security consisting

of bonds, shares, or mortgages on real estate, or with personal guaranties.

(2) Such loans shall be repaid by the discharge in each sixth month from the date of borrowing, of at least one-tenth part of the amount lent together with interest accrued, subject to the entire amount of the outstanding part of the loan becoming due in case of failure to make such payments when due.

(3) Advances are not made in less amounts than 300 kronor.

(4) In the case of loans secured on personal guaranty, the borrower is required, at the date for the payment of each installment, should it be demanded, to furnish evidence of his own and his guarantors' continued trustworthiness, or to provide new security which is acceptable. The consequence of failure to do so shall be that the entire outstanding amount of the loan shall become due at once.

(5) No borrower may secure advances of more than 6,000 kronor at one time.

(6) Other regulations which may be regarded as requisite for the security of the bank in regard to this class of advances may be notified by the directors.

(7) Should applications be received at the head or branch offices for loans of this class to an aggregate amount exceeding the available funds, the applications shall be dealt with in the order in which they are received.

Special regulations applicable to loans and discounts.

§ 28. The following special regulations shall apply to the entire lending operations of the bank:

(1) Discounts, loans, credits, or overdrafts may not be granted—

(*a*) To directors of the bank and members of the managing committees of its branches, except that they may obtain loans secured on merchandise stored in a public warehouse or on the bonds of the State or of the general mortgage bank or mortgage associations, and may have credits opened in their favor on the security of the bonds named.

(*b*) To officials and clerks in the head or branch offices of the bank, except that such officials and clerks may be granted, by the head office or the branch office concerned, a loan or credit on the security of bonds of the State, or of the general mortgage bank, mortgage associations, or municipalities.

(2) Loans, credits, and overdrafts may not be granted on the security of the personal guaranty of a director, a member of a branch managing committee, official, or clerk in the bank, and no bill of exchange bearing the name of a director, member of a branch managing committee, official or clerk in the bank, as drawer, acceptor, or last indorser, may be discounted at the bank.

(Cf. § 15 of the law for the Bank of Sweden of the 12th May, 1897.)

(3) The loans to which §§ 24, 25, and 27 apply are granted in multiples of 10 kronor.

§ 29. (1) The note of a borrower who secures a loan, open credit, or credit on current account, shall, in case the borrower's or his guarantor's trustworthiness is not known to the management, or the collateral offered does

not appear in itself to furnish ample security, be accompanied by a certificate relating to their trustworthiness signed by a civil servant, public official, or private person on whom the management can place complete reliance.

Independently of this, it is the duty of the management, in the case of each application for the discount of bills, loan, open credit, or credit on current account, to examine into the acceptability of the security offered and to exercise care that the security of the Bank is in every case properly provided for. The management may not neglect, with a view to this end, to procure all the information which might influence judgment of the position of debtors and their capacity to meet the obligations into which they have entered.

In particular, in the discount of bills regard shall be had to the origin of the bills.

(2) In case a borrower, mortgagor, or guarantor be unable to write, or in case their signatures be not known to the management, these shall, in every instance, be certified by two trustworthy men, in the former case as witnesses by their signatures to the contract made, in the latter to the identity of the signatures.

§ 30. (1) The public is entitled to conduct business relating to lending and borrowing at the head and branch offices of the bank in writing. All the requisites provided at the bank's offices are placed at the disposal of clients free of charge, under such restrictions and conditions as the directors prescribe.

(2) The prohibition contained in § 35 of the law for the Bank of Sweden of the 12th May, 1897, of directors or

members of branch managing committees from taking, in the capacity of agents for others, any decision in regard to discounting bills or provision of loans or credits at the head or branch offices, shall also apply to the clerical staff at the head and branch offices of the bank.

Should a director offend against this rule, information thereof shall be given to the chief law officer of the Parliament, who shall institute proceedings in accordance with the law relating to the liability of directors.

Should a member of a branch managing committee offend against the rule, the circumstances shall be notified to the directors, who, in the question of legal action, are empowered to proceed in accordance with the special law on the subject of the liability of these branch managers.

Should a member of the clerical staff offend against the rule in question, the matter shall be reported to the directors or the managing committee concerned, who are empowered to dismiss the offender or to suspend him for a fixed period of not less than six months from his functions and emoluments.

§ 31. (1) The rate of interest charged on loans, credits, overdrafts, and the rate of discount on bills of exchange shall be fixed by the directors with due regard both to the financial situation, to the period of the loan, and to the security offered. These rates may be different at the head and branch offices of the bank.

(2) On loans and advances which are not repaid on or before the due date, there shall be charged, from that date, interest at the rate of 6 per cent per annum, unless the rate stipulated on the advance be higher than this, in which

case interest shall continue to be reckoned at that higher rate until the repayment is completed.

§ 32. The head and branch offices of the bank shall be open for the making of loans and advances on every business day in the week.

§ 33. The bank's head and branch offices are, in accordance with the terms of the royal decree of April 18, 1681, to secure the aid of the officers of the Crown both in Stockholm and throughout the country in the prompt execution of the legal proceedings for recovery arising out of the lending business of those offices, and it is the duty of those officers, on the conclusion of the proceedings, to forward the amounts recovered on claims without delay to the head or branch office concerned.

§ 34. The bonds issued by the bank before the year 1830 as a means of procuring funds may not be accepted as collateral for loans, but the bank will redeem on demand such of those bonds as are not by express stipulation perpetual.

§ 35. The provisions regarding special rates of discount, and special advantages as to loans and credits, in favor of Enskilda banks are contained in the law for the Bank of Sweden, transitional provisions. (§ 41.)

PART 3.—OF THE ADMINISTRATIVE OFFICERS OF THE BANK AND THEIR DUTIES.

§ 36. (1) In accordance with § 72 of the constitution and § 71 of the standing orders of the Parliament, the bank is managed by seven directors.

The chairman, who may not hold any other office in the bank's administration, receives from the funds of the bank

a yearly salary equal in amount to that which each of the other directors is entitled to receive as director in accordance with the scale of salaries fixed for officers of the bank.

(2) In accordance with § 72 of the constitution and § 73 of the standing orders of the Parliament, four substitutes for the directors are appointed, one by the King and three by the Parliament.

(3) In the manner prescribed in § 71 of the standing orders of the Parliament, the directors themselves elect a vice-chairman from among themselves to preside when the chairman is prevented from attending.

(4) If the number of directors available be not as great as is required for the conclusion of the business in hand in accordance with later regulations, one of the substitutes appointed by the Parliament shall be summoned to attend.

The substitute appointed by the King is summoned when the chairman has notified his inability to be present.

(5) When a director is prohibited from acting as such by the terms of § 29 and § 30 of the law for the Bank of Sweden of the 12th of May, 1897, he shall withdraw and in his place one of the substitutes shall be summoned.

§ 37. In the conduct of the business of the bank the directors are required to observe both the laws of the realm and the special laws, regulations, and ordinances relating to the bank.

§ 38. (1) The directors elect from their number three managers, one principal and two others, whose duty it shall be, in accordance with the regulations of the bank and the instructions given by the directors, and in general in accordance with the division of functions between

them, to present the business for the consideration of the directors, to supervise the carrying out of the decisions of the directors, to conduct the purchase and sale of foreign bills of exchange and make the arrangements necessary in that connection, to supervise the internal organization of the bank, and in general to conduct the current business of its administration.

(2) The managers are each entitled to one and a half month's vacation yearly.

(3) The directors elect, also from their own number, one director who shall, in accordance with the instructions given, supervise the conduct of the bank's paper mill and printing works, and bring before the directors the business relating to the mill and printing works.

The director selected for this function need not be one of the managers, though one of these may be so selected.

(4) The salaries assigned to the directors and the managers, and to the director who supervises the paper mill and printing works, are specified in the scale of salaries fixed for officers of the bank.

(5) When, in accordance with the rights assigned them in clause (2) above, one of the managers takes a vacation, and in consequence thereof or by the instructions of the directors one of the substitutes is summoned to take part in the administration of the bank, the latter shall be entitled to receive from the funds of the bank a payment at the same rate as is assigned to a director for the time during which he serves.

(6) Should a manager be absent on vacation or be engaged on the business of the bank at a distance from

the head office, and the directors find it desirable to appoint a special deputy manager, the latter shall be entitled to receive from the funds of the bank for the period of such service a payment at the rate assigned for managers in the scale of salaries.

(7) When, in the absence of the chairman, the substitute appointed by the King is called upon to serve, payment shall be made to him from the bank's funds on the same scale as is fixed for the chairman, but not for an aggregate period of more than one month and a half in each year, not including, however, in this period any time during which the chairman may have been absent on the business of the bank.

§ 39. (1) For the conduct of ordinary business the directors shall meet once each week, or oftener if the nature and pressure of business require it, and at such meetings at least five directors shall be present. Business which requires immediate dispatch may, however, be done when only four directors are present, in case three of them are in agreement thereon, but in meetings with the directors of the national debt office at least five directors of the bank shall take part.

Should there be a divergence of opinions between the directors, the votes of the directors shall be recorded, each being entitled to one vote. In cases in which the votes are equal, the chairman has the right to give a casting vote. Anyone whose vote is not on record is regarded as assenting to the decision of the majority, and a director who may be prevented for any reason from being present when any decision is taken is not thereby disqualified

from joining in further discussions in regard to the same matter which may arise. Only in the case of elections to offices to which some one of the directors might be appointed shall votes be given by secret ballot.

Measures taken in the name of the directors may not be so taken except in consequence of a decision of a meeting of the directors.

(2) At least four directors are required to go over the business relating to loans on every ordinary week day.

§ 40. In respect to the classes of business which are required to be kept secret, and to the obligation of directors, members of branch managing committees, auditors and clerks to maintain secrecy in regard to the relations between clients and the bank, and other confidential matters, the provisions of the law for the Bank of Sweden of 12th May, 1897 (§§ 36 and 37) apply.

§ 41. (1) It is the duty of the directors to see that gold received at the royal mint for account of the bank for coining or other purposes is brought into account as speedily as may be, by delivery to the bank either as coin or in bars. Bar gold shall be entered in the bank's accounts at its coinage value without deduction for cost of mintage.

(2) Bar silver is entered in the accounts at such value as the directors may decide in the circumstances of the case.

(3) The directors shall, when the royal mint has gold or silver in its possession for account of the bank, be represented by one of the managers at the annual inspection which takes place in the month of January in each year,

or more frequently if necessary, in the manner which the King ordains. Should there be found anything in connection with such an inventory which calls for report, the directors may send a statement thereon to the King.

§ 42. At least once in each year the directors shall cause an inspection to be made of all the safes and other storage places at the head office, and also cause the premises and equipment of the bank in Stockholm to be inspected.

§ 43. (1) The directors are empowered to grant an extension of time to debtors of the bank for the payment of their debts to the bank, after careful consideration of the circumstances in each individual case, and to accept a composition towards the liquidation of debts to the bank in the case of such of the bank's debtors as may have assigned all their property for the benefit of creditors. In no other cases than the last named, however, may the directors remit anything of what should be paid in accordance with agreements made and the ordinances in force, but all questions regarding remission of what is due shall be submitted to the next parliamentary committee on banking for decision in the order required by the instructions given to that committee.

(2) The directors have power to decide, both for the head office and, on the advice of the branch managing committees concerned, for branch offices, what shall be written off as doubtful debts in the accounts.

§ 44. The directors shall make a report on complaints communicated to the parliamentary committee on banking or to the auditors, and on applications to the com-

mittee which may be forwarded to the directors in proper time.

§ 45. The directors are entitled at any time to delegate a representative, whether one of themselves or not, to inspect the branch offices.

When such a duty is undertaken by one of the directors, no special remuneration is assigned in that regard, but traveling and maintenance expenses are allowed at the rates fixed in the current regulations. Other persons undertaking this duty are assigned remuneration as the directors may determine.

§ 46. (1) The directors are intrusted with the payment out of the funds of the bank of—

(i) The assigned contributions to the various orphanages in the Kingdom.

(ii) The subscription to the widows' and orphans' funds at the head and branch offices of the bank and at the paper mill.

(iii) Assistance to those persons who formerly received Christmas gifts and continue to be in need of them to the same amount as has been customary.

(iv) The fixed yearly payments which the Parliament has granted to certain persons still living.

(v) Remuneration for the continuance of the record of the bank's transactions.

The directors shall notify the banking committee of alterations in these respective payments.

(2) In case of imitation or falsification of the bank's notes, and of the uttering of such imitated or falsified notes, the directors are empowered to offer and to pay out of the

funds of the bank such rewards as they may judge expedient in the circumstances of the case.

§ 47. [Deals with the management of the paper mill.]

§ 48. Real estate owned by the bank, with the exception of such as may have been bought in for the protection of liens held on the property by the bank, may not be disposed of by the directors without the assent of the Parliament.

§ 49. In accordance with the provisions of § 32 of the law for the Bank of Sweden of the 12th May, 1897, the directors shall make to the banking committee of the Parliament each year a report on the financial situation, business, and administration of the bank. This report shall be printed and be made accessible to the public.

In addition the directors are required to report on the matters specified to the official parliamentary auditors of the treasury, riksbank, and national debt office.

With these reports the directors shall forward to the banking committee and to the auditors the reports required from the managing committees of branch offices, and shall also send to the auditors the reports received from the auditors of the branches, accompanied by such information and explanation as may be called for by the matter contained in the latter reports or by conditions to which attention is called in them.

The directors shall cause the report on the bank as a whole which, by the existing rules, is to be made by the auditors of the Parliament for each year, to be printed, published, and forwarded to the Parliament, together with the statements and explanations to which it may give rise.

§ 50. The directors shall at all times be prepared with arrangements by which the bank's cash, securities, and documents may be able to be transferred without loss of time to a safe place in case of necessity. The directors shall seek advice and information in such circumstances of the King.

§ 51. (1) It is the duty of the bank directors who are appointed by the Parliament—

In accordance with § 50 of the constitution, jointly with the directors of the national debt office, to confer with the King in regard to the selection of a place for the meeting of Parliament, in case serious obstacles should prevent its meeting in the capital.

In accordance with § 98 of the constitution, in the event of the death or resignation of the chief law officer of the Parliament, in association with the directors of the national debt office, to induct into the office the person selected as his successor by the Parliament, and, in the event of the appointment as chief law officer of the person selected as successor to that office by the Parliament, or of his death or resignation of the right to succeed to the office, they shall, in association with the directors of the national debt office, proceed to the election of another.

In accordance with § 109 of the constitution, in the event of the grant of money by the Parliament, without an agreement being reached before the close of the Parliamentary session as to the mode of raising the money, then in association with the directors of the national debt office, to prepare and issue a new draft of ways and means on the basis that the items in the current scheme of ways

and means shall be increased or decreased uniformly in the proportion of the sum actually granted to that contained in the financial arrangements of the preceding Parliament.

In accordance with § 32 of the constitution, to assist by the attendance of three delegates at the consideration by each new Parliament of those formal powers of attorney which shall confirm the authority of the directors.

(2) In accordance with the royal ordinance regarding a postal savings bank for the Kingdom, the directors are entitled to select one of their number to be a member of the Administrative Board of the postal savings bank; to arrange for the safe-keeping by the bank on behalf of the postal savings bank of the bonds and other valuable documents belonging to the postal savings bank, on payment to the bank of the commission fixed by the directors, and on the request of the Administrative Board of the postal savings bank, to arrange for the sale or pledge of such valuable documents, the property of the postal savings bank, as its Administrative Board may deem necessary.

On the basis of the agreement approved by the Parliament of 1907 between the Swedish Government on the one side and on the other the Luossavaara-Kiirunavaara Company, the Gellivare Iron Ore Fields Company, and the Grängesberg-Oxelösund Transportation Company, respecting certain quarries, etc., the directors are to receive and preserve the documents referred to in that agreement, without charge for the service, and in accordance with the said agreement conduct the business involved.

(3) In association with the directors of the national debt office, the bank directors shall further—

(*a*) Select and appoint a person to be a member of the board of directors of the Gotha Canal on behalf of the bank and the national debt office, in order to secure the future supervision and control over the maintenance of the canal. A new appointment shall be made each year, but the previous representative may be reappointed;

(*b*) Select a representative to take part in the audit of the canal company's accounts on behalf of the Bank and the national debt office; and

(*c*) Take the necessary measures for carrying out the decision of the Parliament in the matter of new buildings for the Parliament, etc., and the Bank; these shall be in accordance with the more detailed provisions of the instructions of the Parliament under dates the 11th and 12th May, 1888, and the 6th April, 1906.

PART 4.—OF THE MANAGEMENT OF THE BRANCH OFFICES OF THE BANK.

§ 52. (1) The managing committees of each of the branch offices in Gothenburg and Malmö shall be composed of four members and that of each of the other branch offices of three members. All these, and the requisite number of substitutes, appointed for one calendar year at a time, shall be chosen by the directors, who shall have the right to remove one or more such officers from their appointments when they find occasion to do so; in the place of officers so removed, others shall be at once appointed.

Should a member of a branch committee cease to serve for any other reason before the end of the period for which

he was appointed, a new member shall be appointed to take part in the work of the committee for the remainder of the period. On the annual occasions of the appointment of the committees, retiring members may be reappointed.

(2) The directors shall choose from among the members of each branch committee one member to act as manager and conduct the daily work of the management, but the chairmen and vice-chairmen shall be elected by the committees themselves from their own number.

(3) In the case of an ordinary member of a branch committee being accidentally prevented from serving, one of the substitutes shall be summoned.

Should the member who acts as manager be prevented from performing his functions, the committee shall arrange for the carrying on of the work until the directors have decided on the arrangements to be made.

(4) At the time determined by the directors on representations made to them on the subject, and when they have arranged for the due conduct of the affairs of the branch, the managing member of the committee is entitled to a yearly vacation:

In the case of the branches at Gothenburg and Malmö for one month and a half.

In the case of other branches for one month, but from and with the sixth year after his appointment as manager, for one month and a half.

Other ordinary members of the committees of all branches, with the exception of those at Gothenburg and

Malmö, are entitled in like manner, after due notice to the committee concerned and in case no special obstacle exist to such a course, to holidays at the charge of the bank, amounting for each of them to not more than one month in the aggregate in each year.

§ 53. In the conduct of the branch offices the committees are required to observe not only the law, regulations, and ordinances applying to the bank, but also the instructions issued, or which may be issued, by the directors as a whole or by the managing directors.

§ 54. It is the duty of the managing member of a branch committee to supervise carefully the conduct of affairs at the branch, to present to the committee the business relating to loans and other matters, and to conduct the correspondence between the branch office and the head office, the whole in accordance with the instructions issued, or which may be issued, by the directors as a whole or by the managing directors.

§ 55. (1) The branch committees meet for the consideration of general business once in each month, or more frequently if the nature and pressure of business so require, and at such meetings all the members of the committee are required to be present. At the meetings, a record of whose proceedings shall be kept, in case of differences of opinion, the majority of votes shall prevail, and, in case of equality of votes, the chairman is entitled to give the casting vote.

(2) For the consideration of business relating to loans and advances, the committees meet every ordinary week

day. No decisions may be reached unless three members are present, and no application for a loan may be approved unless three members of the committee are agreed thereon.

§ 56. (1) The accounts and administration of each branch office shall be inspected yearly by four persons who, as well as an equal number of substitutes, are selected by a nominating committee composed of forty members. These latter shall be appointed in a manner identical with that prescribed in § 71 of the standing orders of the Parliament for the committee charged with the appointment of the directors of the bank and of the national debt office.

(2) The branch committees shall report to the auditors referred to (clause 1) when they meet, such report to cover the lending operations and the connected supervision and proceedings for recovery of debts; and also to the banking committee of the Parliament and the official parliamentary auditors of the treasury, riksbank, and national debt office, this report to cover the business of the branch as a whole. These reports are required to be forwarded to the directors, that to the banking committee not later than the day previous to the opening of the Parliament, that to the parliamentary auditors at least fourteen days before their meeting.

§ 57. (1) The salaries assigned to the members of branch managing committees are specified in the salary scale fixed by the Parliament.

(2) So long as a substitute who has been summoned to serve on a branch committee performs the duties of an ordinary member of the committee, he shall receive

the amount of salary assigned to that member calculated according to the time devoted to the management and supervision of the branch.

PART 5.

[§§ 58 to 84 relate to the number, grades, salaries, and pensions of the staff of the head and branch offices. As in the case of certain earlier sections, it has not been judged necessary to present them here.]

APPENDIX III.

SWEDISH LAW RESPECTING BANKING COMPANIES WITH UNLIMITED LIABILITY.

(SEPTEMBER 18, 1903.)

CHAPTER I.—*Of the formation of the company and of its capital.*

§ 1. Those who, for the purpose of conducting the business of banking, propose to establish a company with personal responsibility for its shareholders, and seek to secure for themselves the enjoyment of those rights which are granted by this law, are required to make an application to that effect to the Crown, accompanied by a copy of the proposed articles of association.

The founders must be Swedish citizens residing in this country, and at least twenty in number.

Should such a company be judged to be for the benefit of the country, the articles of association shall be examined on behalf of the Crown, in reference to their agreement with this law and with the general laws of the country, and also with the purpose of determining what further special regulations may be desirable, having regard to the extent and nature of the business to be conducted.

In case the articles of association are approved, the permission to conduct a banking business shall be notified by the Crown, such permission (charter) to be for a term not exceeding ten years and till the end of the calendar year then next ensuing.

The company shall be registered in accordance with later provisions of this law.

§ 2. When the founders have received notification of the grant of the charter, they shall issue an invitation to subscribe to shares in the capital.

This prospectus, which shall be signed by the founders, and be accompanied by an attested copy of the decision of the Crown as to the establishment of the company, shall contain a statement of the limit of time, not exceeding six months from the date of notification of the grant of the charter, within which a meeting of the subscribers shall be held to decide the question of the formation of the company, and a statement of the mode of distribution of shares among subscribers which is to be adopted in case of oversubscription.

Subscriptions secured otherwise than by the issue of such a prospectus as is here specified shall be invalid.

§ 3. Any rights or advantages reserved to themselves by the founders shall have no effect as against the company unless they are completely specified in the prospectus.

§ 4. It is incumbent on the founders to summon the general meeting for the determination of the question of the company's formation within the time specified in the prospectus and in accordance with the rules which are to apply for summoning ordinary general meetings. In case such a meeting is not held within the prescribed time limit, subscriptions shall cease to be binding on applicants for shares.

§ 5. At the meeting referred to in § 4, in case the subscription lists show that the capital, as specified in the

prospectus, is fully subscribed, and that the subscribers, inclusive of the founders, amount to at least the number specified in § 9, and after any oversubscription has been adjusted between the subscribers and the excess declared void, the question shall be decided whether the company shall be formed. The majority of those present, however, shall have the right to defer the final decision of the question to an adjourned meeting to be held within a month thereafter.

If a resolution to establish the company be passed unanimously, or if, on a vote on such a resolution, the majority are in its favor and comprise at least one-fourth part of the entire number of subscribers, inclusive of the founders, and represent an aggregate subscription of at least one-fourth part of the entire capital, the company shall be regarded as formed. In the contrary case, the resolution in favour of its formation shall be deemed to be lost.

Founders who, as referred to in § 3, have reserved to themselves special rights or advantages, may not take part in the voting treated of in this section, nor shall any such founder, or the shares which he has subscribed, be taken into account in the voting.

§ 6. In case the founders amount to at least the number specified in § 9, and take up the entire amount of the share capital, the company shall be regarded as formed by agreement between them.

§ 7. On the formation of the company, the election of directors and auditors shall take place without delay.

§ 8. The capital of a banking company shall amount to not less than 1,000,000 kronor. Nevertheless, in case the

detailed provisions of the articles of association respecting the nature of the business to be undertaken clearly show that the company does not purpose to carry on the business of banking on a large scale, but only to facilitate the moderate exchanges of a defined locality, the capital may, should the permission of the Crown be secured, be fixed at a sum smaller than 1,000,000 kronor, though in no case at less than 200,000 kronor.

§ 9. A banking company shall be composed of at least thirty ordinary shareholders, who shall be Swedish citizens. These shareholders shall provide the company's capital, and shall be responsible for the fulfillment of all the obligations of the company, each for all and all for each.

The responsibility for the company's obligations which is, by this section, imposed on each ordinary shareholder over and above his share in the subscribed capital, may not be enforced by the creditors of the company in a manner other than that provided for in the law relating to the bankruptcy of banking companies and savings banks, so far as that law relates to banking companies with unlimited liability.

§ 10. In the official title of a banking company the capital of which is not less than 1,000,000 kronor, there shall be included the words "enskild bank." This title may not be used by any others.

Should the banking company's capital be less than 1,000,000 kronor, its official title shall include the words "people's bank" (folkbank).

No private individual or other private financial institution which is not a company such as is dealt with in the present law, or a savings bank, or a banking company with limited liability, may use in its official title (firm name) the word "bank."

The official title of a banking company shall be distinct from that of any existing company previously registered in legal form, and also from the designation of any foreign banking institution which is generally known in this country.

§ 11. The capital shall be divided into shares of equal amount. The amount to be paid by the subscriber of any share shall not be fixed at a sum less than the face value of the share.

Bank shares shall be indivisible as against the company.

In case it is provided that the capital may, without a change in the articles of association, be altered in amount, the lowest amount at which it may be fixed shall not be less than the half of the highest amount permissible.

§ 12. Share certificates shall be issued, which shall specify the numbers borne by the share or shares to which they refer. Such certificates shall be made out in favor of a person named in them.

§ 13. At least 20 per cent of the capital shall be paid up before the banking company commences business, a further 20 per cent at least within three months, and the remainder within eight months from the commencement of the company's business.

Share certificates shall not be issued before the company is registered and the capital fully paid up.

§ 14. Any subscriber of ordinary shares who has not paid up his shares in full on the formation of the company shall be required to deposit adequate security for the fulfillment of his obligation to pay the balance due in accordance with the provisions of § 13.

§ 15. Any subscriber failing to make the payments on his shares within the limits of time fixed for the same shall be required to pay interest at the rate of 6 per cent per annum from the due date.

Should payments not be made at the dates at which they are due before the security mentioned in § 14 has been deposited, or should a subscriber neglect to deposit such security, the directors shall, in case the matter is not set right within a month after warning given, declare the right to shares in the company annulled. The same procedure shall also follow any subsequent failure to make payments within the time prescribed if the security deposited prove insufficient to provide for the payment due.

Notification of the time for the payment of calls, and such warning as is referred to above, shall be regarded as duly given when it is made in such manner as is required for the summons to an ordinary general meeting or, in case a shareholder's address has been notified to the directors, if it be sent to him in a registered letter.

The annulment of the right to shares in the company does not confer the right to the recovery of sums already paid up on shares or of what may be realized on the security deposited.

§ 16. The capital may not be increased by a new subscription before the payment of what has been previously

subscribed has been made in full. A decision in favor of such increase may not be carried out before it is registered.

Share certificates may not be issued in such a case before payment is completely made for the share or shares covered by the certificate.

The time for the completion of payments on new shares may not be so fixed as to exceed one year from the date of the registration of the resolution authorizing their issue.

§ 17. The provisions of § 15 in regard to neglect of payment of calls on shares subscribed, and warning to complete such payments, shall apply correspondingly to the case of new subscriptions.

§ 18. The ordinary shareholders shall have the option of associating with themselves shareholders *en commandite*. Such shareholders shall not be responsible for the obligations of the company to an amount exceeding what they have paid in to the company or undertaken to pay in. Shareholders *en commandite* may not be included in a company for amounts exceeding the half of the ordinary capital. The fund subscribed by shareholders *en commandite* shall be available equally with the ordinary capital for meeting all the obligations of the company, but, on the liquidation of the affairs of the company, the shareholders *en commandite* shall have the right to the repayment of their subscriptions before any distribution to the ordinary shareholders may take place. A share *en commandite* shall have the same face value as an ordinary share, and shall be issued in favor of a definitely named person.

Shareholders *en commandite* may take no part in voting at general meetings on matters other than the election of auditors, and they shall be eligible for election as auditors.

§ 19. Every ordinary shareholder shall furnish to the company a declaration, signed by himself and witnessed by two persons, setting forth the shares he owns in the company. Before such a declaration is supplied, he may not receive any share of profits from the company or exercise any other of the rights of a shareholder.

§ 20. An ordinary shareholder shall not be entitled to withdraw from the company during the term of its charter, unless the company assent thereto.

The same holds of the estate of a deceased shareholder. When, however, the shares belonging to such an estate become, through inheritance or marriage, the property of a successor in title who is qualified under § 9 to be an ordinary shareholder, and he has made such a declaration as is specified in § 19, the other heirs to the estate are discharged from the company.

Shareholders *en commandite* may transfer their shares to others, after notice to the directors of the company, and by the observance of those forms which the company may prescribe for such transfers.

§ 21. Should an ordinary share have been transferred, otherwise than by inheritance or marriage, to a new owner, the latter may not exercise any of the rights of a shareholder before the company has approved the transfer, except that he may, if § 9 places no obstacle in the way of his acceptance as an ordinary shareholder, after

making such a declaration as is specified in § 19, draw such share of profits as falls to the shares he owns and similarly the share arising out of the liquidation of the company.

In the interval between an ordinary general meeting and the next following ordinary general meeting of the company, the rights of the company in the matter of the transfer of shares are assigned to the board of directors, except in the case treated in the third paragraph of this section. A summons to a meeting at which such questions of share transfer are to be dealt with shall contain a statement that questions of that character will be brought forward. Should the transfer fail to be approved unanimously by the members of the board present, the question shall be referred for decision to the ordinary general meeting. Transfers approved by the directors shall be notified at the next following ordinary general meeting.

Should an ordinary shareholder desire to transfer the last of the shares he holds, or should a director desire to transfer any of the shares he held when he was last elected as a director, such transfer shall require the approval of an ordinary general meeting.

§ 22. The board of directors shall provide for the keeping of a special book at the head office of the company, in which all shareholders, whether ordinary shareholders or shareholders *en commandite*, shall be registered and a record kept of the shares each holds.

On the transfer of a share to a new owner and the approval of his entry into the company, a record of the fact shall be entered in the register.

It shall be incumbent on the board of directors to permit any who desire it to consult the register of share-

holders during the hours at which the bank is open to the public, and, on payment therefor, to obtain an extract from the register duly attested by the proper official.

§ 23. So long as a banking company endures, the paid-up ordinary capital, and the special fund provided by shareholders *en commandite*, may not be diminished by division or other repayment to ordinary shareholders.

§ 24. Of the yearly profits of the bank, at least 15 per cent shall be assigned for the formation of a reserve fund. When the reserve fund amounts to 50 per cent of the company's ordinary capital, further assignments to it may cease; should the reserve fund be reduced below the amount named, assignments to it shall be resumed.

There shall always be assigned to the reserve fund such amounts as may be secured on the subscription of shares over and above the face value of the shares, and also, in case the right to shares have been annulled, whatever may have been paid up on such shares or may be realized on the security deposited in respect of them.

The reserve fund shall only be applied to meeting losses which have occurred in the conduct of the bank's business as a whole and which can not be met out of other funds assigned for future disposal.

§ 25. In case a division of profits has been resolved on and carried out while a banking company continues in business, but, in accordance with the latest duly audited accounts, the funds for the same can not be provided without the transgression of the provisions of §§ 23 and 24 in regard to the funds of the company, those shareholders who have received any part of such profits

shall be required to refund the amounts received, and those who took part in the decision to make the division shall be responsible, each for all and all for each, for any losses which may arise in connection with such repayment.

§ 26. Before a banking company is registered, it can not secure rights or incur obligations, nor can it appear in any capacity before a court of law or other authority.

Should any obligations be incurred on behalf of the company before its registration, those who incurred such obligations shall be responsible for the same as for their own debts, each for all and all for each.

CHAPTER II.—*Of the business to be transacted.*

§ 27. A banking company may not trade in other things than gold, inland and foreign bills of exchange, and interest-bearing paper.

Real or personal property, pledged or mortgaged in favour of the company, which may be sold by auction, may be bought in by the company in order to protect its claims, but shall be disposed of again as soon as this can be effected without loss.

A banking company may acquire real estate needed for its office accommodation.

A banking company may not accept as security either its own share certificates or the certificates representing ordinary shares in any other banking company.

§ 28. A banking company may not issue, on printed or engraved forms, its promises to pay, whether to a specified person, to order, or to bearer.

§ 29. On the deposit of money with a bank to remain for a defined period of time, with or without interest, the

receipt issued by the bank in respect of such deposit shall be in favour of a person named therein, and shall contain the statement that the receipt may be transferred only to a person specified by name, the transfer being required to be notified to the bank for the security of the new owner.

On funds deposited on accounts designated as savings-bank accounts, or on accounts of a similar character, interest may not be paid on a greater sum than 3,000 kronor standing to the credit of any one depositor. Further, the bank shall not enter into any obligation to repay such deposits otherwise than after a specified term of notice, which term shall not be less than one week; should it appear to the directors that such a course involves no inconvenience, they may, in special cases, grant repayment without waiting for the termination of the period of notice.

CHAPTER III.—*Of the administration and management, and of general meetings and audits.*

§ 30. The ordinary shareholders shall elect from among themselves a board of directors consisting of at least five members, to represent the company. These directors shall be resident in Sweden. The term for which a director is elected may not exceed five years. A director may resign his office, even though the term for which he was elected has not expired, if his resignation be accepted by a vote of a general meeting of the shareholders.

Any limitation of the rights of the directors to represent the company shall have no force as against anyone who is

not proved to have had knowledge of such limitation. A resolution containing any such limitation may not be registered.

§ 31. The company may empower, or may authorize the directors to empower, a person to affix the signature of the company, even though he be not a member of the board of directors.

As to the limitation of such power to sign for the company, the law shall be as is stated in the second paragraph of § 30.

§ 32. Written contracts, made on behalf of the company, shall be signed on its behalf with its official title. In signing on behalf of the company, those who are empowered to affix its signature shall also sign their own names.

In case any contract, made on behalf of the company, is not duly and properly signed on its behalf, for the consequences of such defect or omission those who signed the contract shall be responsible, each for all and all for each, as for their personal obligations.

§ 33. The directors may appoint an official who shall, on behalf of the company, enter and defend actions at law, conduct cases in which it is involved, and act as its advocate on the trial of such actions.

Such authority as is specified in § 31 may, however, not be conferred except on the direction of the company.

§ 34. At meetings of the board of directors, that shall be the valid decision of the board in favour of which a majority of those voting are found in agreement, so far as it is not otherwise provided in the articles of association,

but in case of equality of votes, the chairman's casting vote shall decide.

A director may not take part in the decision of any question in which his private rights are in conflict with those of the company.

§ 35. It shall be the duty of the directors, in the performance of their functions, to observe those special instructions which may have been given by the company and are not in conflict with the laws or constitution of the country or with the articles of association.

§ 36. The rights of the shareholders to take part in the affairs of the company shall be exercised through general meetings.

It is forbidden to any to take part, whether on his own behalf or acting on behalf of others, in the decision of any question in which his private rights are in conflict with those of the company; and in particular a director may not take part in the decision of a general meeting regarding freedom from liability for acts of management for which he is responsible, nor may he take part in the election of any auditor.

There shall be provision made by the directors for the preparation of a report of the proceedings of general meetings, showing who of the shareholders have taken part in the business of the meeting, and the number of shares for which each of them has the right to vote. Not later than fourteen days after the meeting this report shall be accessible to the shareholders.

§ 37. A decision to alter the articles of association or to wind up the company for any reason other than is

specified in §§ 49, 50, 52, or 59 shall not be valid unless all the ordinary shareholders have agreed thereto, or unless it be carried at two consecutive general meetings, of which at least one shall be an ordinary general meeting, and be supported by at least two-thirds of those voting at the later of such two general meetings.

If the articles of association impose any further conditions on the validity of such decisions as are now in question, these shall also be fulfilled.

Alterations in the articles of association shall not be valid unless they receive the approval of the Crown.

§ 38. In regard to votes and decisions at general meetings referred to in §§ 36 and 37, in case other provisions are not contained in the articles of association, the following shall apply: Every share confers the right to one vote; the vote of absent shareholders may be given by proxy; that shall be held to be the decision of the company for which the greatest number of votes is given; and in elections, in case of equality of votes, lots shall be drawn to determine the result, but in other questions that view shall prevail which is supported by the majority of votes cast, or, in case of equality of votes, by the chairman of the meeting.

§ 39. The ordinary general meeting shall be held within four months after the close of each calendar year. At the meeting the board of directors shall present its report and the accounts for the year last closed, together with the report which, in accordance with § 46, is required of the auditors.

At least eight days before an ordinary general meeting the directors shall ensure that a statement of

the business to be brought before the meeting shall be available at the bank's head office to the shareholders. Business which is not specified in this statement may not be decided at the meeting unless with the concurrence of all present, unless it arises directly out of the annual report, the accounts, or the auditors' report, or it is provided in the articles of association that it shall be decided at the meeting.

A shareholder desiring to bring any business before the meeting shall send written notice thereof to the directors at least fourteen days previous to the meeting.

§ 40. The annual report required in § 39 to be made by the directors and submitted to the general meeting shall expressly state the amount of the profit or loss which has resulted from the business of the year.

The accounts referred to in the same section shall exhibit, respectively, the income and expenditure of the year covered by the accounts, and the assets and liabilities at the close of the year. The assets may not be entered at amounts in excess of their actual value. In particular, doubtful claims shall be entered only at such amounts as are estimated to be realized on them, and bad debts shall be written off.

The report and accounts shall be placed in the hands of the auditors at least one month before the meeting, and the report and accounts, together with the auditors' report, shall be made accessible in adequate numbers of copies to all ordinary shareholders at the head office of the company.

§ 41. At the meeting at which the annual report of the directors, and the accounts, together with the auditors'

report, are presented, there shall be considered the question of granting to the directors freedom from liability in respect of the period covered by the report. If a motion to defer the decision of the question be supported by holders of shares amounting to at least one-tenth part of the entire ordinary capital, such deferment to an adjourned meeting to be held within two months may not be refused.

If the discussion of the administration of the company during the period covered by the report be not concluded within a year from the date of the presentation of the report, the effect shall be the same as if freedom from liability had been granted to the directors.

Without regard to the grant of freedom from liability the company shall be entitled, within two years from the date of the presentation of a report to a general meeting, to institute proceedings against any director who may be shown to have knowingly made false statements in the report, in case these can be regarded as bearing on the vote of freedom from liability.

§ 42. The directors may, when they find it desirable to do so, summon a special general meeting.

Such a meeting shall be summoned when shareholders representing at least one-tenth part of the entire ordinary capital, or such less part as may be specified in the articles of association, make a written demand to that effect, specifying the purpose of the meeting.

At a special general meeting no business shall be decided which was not specified in the notice summoning the meeting.

§ 43. In case the directors have neglected, within fourteen days after the presentation of a demand such as is specified in § 42, to summon a general meeting to be held within one month, unless otherwise provided in the articles of association, or in case the directors neglect to summon the ordinary general meeting in the regular course, the local representative of the Crown shall, on demand made by a shareholder, at once issue notices summoning a general meeting.

§ 44. If, in the opinion of the board of directors or of any director or shareholder, a decision arrived at by a general meeting has not been made in proper order, or is in conflict with the laws of the country, or the constitution, or with the articles of association, they or he shall be entitled to take proceedings against the company within two months of the date of such a decision. If this be not done within that period the right to take action is lost.

What is here provided in respect of the challenge of a decision of a general meeting shall also apply in case a subscriber of shares desires to challenge the votes of a meeting such as is treated of in § 4.

§ 45. Regarding the right of a director to accept service in such proceedings on behalf of the company the rules of civil procedure shall apply. What applies in such a case shall also apply equally in the case of agents of other public authorities in their relations with the company.

Should the directors desire to challenge a decision arrived at by a general meeting, or otherwise proceed against the company, the shareholders shall be called together to appoint a representative to appear on behalf of the company

in the matter at issue. The writ shall be regarded as duly served when it is laid before the meeting; but in such cases as are dealt with in § 44 the right of the directors to proceed is preserved if within the time there specified the notices have been issued calling a meeting without delay.

§ 46. The shareholders shall elect auditors yearly for the consideration of the administration of the company by the directors and of the accounts of the company. At least each second year one of these auditors shall be changed.

An auditor elected by the shareholders may resign his office, although the term for which he was elected has not expired, if his resignation be accepted by a general meeting.

§ 47. Auditors shall have the right to have access to all the company's books, accounts, and other records; and the directors may not withhold any information regarding the management of the company which is demanded by an auditor.

Should the examination of the affairs of the company afford occasion therefor, the auditors may demand in writing, with a statement of the reasons, that a special general meeting shall be summoned by the directors. In case such a demand be made, the provisions of § 43 shall apply.

§ 48. Should the auditors in their report have knowingly made a false statement, or deliberately avoided calling attention to any such statement in the report or accounts, or in the performance of their duties have shown grave lack of care, those who are at fault shall be liable to the com-

pany for the resulting loss, each for all and all for each. Actions in such cases may not be brought after the lapse of two years from the date of laying the auditors' report before the general meeting.

CHAPTER IV.—*Of the winding up of a banking company, and of the renewal of its charter.*

§ 49. Should a banking company be shown, by its duly audited accounts, to have incurred such losses that the reserve fund and 10 per cent of the ordinary capital is lost, the directors shall, not later than the day on which the auditors' report is presented, summon a general meeting to be held on the earliest day permitted by the articles of association; and the directors shall send a notification of such meeting without delay by registered-letter post to every ordinary shareholder whose address is known. The summons to the meeting shall contain a statement that such losses as are here specified have been incurred.

Should the ordinary shareholders subscribe, either before or at such a general meeting, such a sum as may restore the capital to its prescribed amount, the company shall be entitled to continue its operations; should this subscription not be secured, or should the amounts subscribed to replace the lost capital not be paid in within three months from the date of the meeting, the company shall be dissolved, and proceedings in liquidation shall be taken.

Those shareholders who have thus subscribed shall be entitled to be repaid the amount of their contributions, with interest at 6 per cent per annum, out of the realized

profits of the company before any further dividend is paid on the ordinary shares. Should the company be wound up before the repayment of such contributions has been made in full, thereafter the payment of the debts of the company, and of the sums contributed by shareholders *en commandite*, if such be included in the company, the balance of the amount contributed as above, but without interest for the time subsequent to the cessation of business, shall be paid out of the assets of the company, so far as they may suffice to cover it, before any other division of assets among the ordinary shareholders is made.

Should it appear in the course of any financial year that there is reason for believing that such losses as are dealt with in this section have been incurred, it shall be the duty of the directors to cause the accounts to be made up without delay and a balance sheet prepared, and to summon the auditors to take the same under examination.

§ 50. A banking company shall also be dissolved and proceedings in liquidation be taken—

In case the company has not commenced business within a year from its formation; in case the ordinary capital has not been fully paid up within a year from the date of the commencement of business by the company; in case the number of ordinary shareholders has been reduced below the number specified in § 9 and an adequate number of new shareholders has not been admitted within three months; or in case the period for which the charter was granted expires without the grant of a new charter.

§ 51. Should a banking company not be dissolved although the conditions have arisen which in accordance

with §§ 49 and 50 require dissolution, those who, with knowledge of those conditions, take part in a decision to continue the operations of the company, or act on its behalf, shall be liable for the obligations which may be incurred, each for all and all for each, as for their own obligations.

§ 52. Should the King declare that a banking company has forfeited its charter, the company shall be regarded as dissolved from the day when such a declaration is made.

§ 53. In case a banking company is dissolved for reasons other than those specified in § 59, its liquidation shall be conducted by the directors acting as liquidators, unless, as a consequence of provisions of the articles of association, or of a resolution of the company, one or more special liquidators are appointed. The liquidators shall hold office as such until the liquidation is completed, but may be removed from their office at any time by the company itself.

§ 54. It shall be the duty of the liquidators to summon without delay a meeting of the company's unknown creditors, to schedule its assets and liabilities, and to draw up a balance sheet.

As soon as it may be effected without obvious injury, the property of the company shall be realized in cash.

§ 55. The powers of the liquidators to represent the company and their obligations shall be determined in the same manner as applies to the directors.

§ 56. The official title of a company in liquidation shall be used with the addition of the words "in liquidation."

In general the provisions of § 32 in regard to the signing of contracts which are entered into during the regular existence of the company, and in regard to the consequences of neglect in respect to these formalities, shall apply in like manner during a company's liquidation.

§ 57. Until the period fixed for the presentation of claims has terminated, and all known debts have been paid or the funds necessary for their payment have been reserved for that purpose, the assets of the company may not be divided among its shareholders. Should any such division be made, in the event of the company's incapacity to fulfill its obligations, repayment by shareholders of what they have thus received shall be required.

§ 58. If a shareholder is not satisfied with the conduct of the winding up, or the arrangements made in the course of the liquidation, he shall commence an action before the appointed court within a year from the date of the completion of the liquidation. If this be not done, the right of action is lost.

§ 59. In case of bankruptcy, the company shall be deemed to be dissolved on the day on which its petition in bankruptcy is filed, or if its creditors present a petition from the date of issue of public notice thereof. Information of proceedings in bankruptcy shall, concurrently with their publication, be sent for registration at the direction of the court or judge concerned.

§ 60. In the course of bankruptcy proceedings, the company shall be represented by its directors, or, in case it have been dissolved before the commencement of proceedings in bankruptcy, by its liquidators. New directors

or new liquidators may, however, be appointed in the regular course during the continuance of the bankruptcy proceedings.

§ 61. Should a banking company be made bankrupt within two years of the presentation of any annual report to a general meeting of the company, the bankrupt estate shall have the right to proceed against the management in respect of the financial year covered by that report.

Should bankruptcy occur within two years from the presentation of any auditor's report to the company, it shall be open to the bankrupt estate to take such proceedings against the auditors as are specified in § 48.

The proceedings treated of in this section shall be commenced within a month from the declaration of bankruptcy, or such further period as may be fixed by the company in accordance with the foregoing provisions. In case they be not so commenced, the right to take them is lost.

§ 62. A banking company desiring the renewal of its charter is required in accordance with § 1 to make application for renewal not less than sixteen months before the expiration of the term of the then current charter.

A resolution in favor of such application must be adopted at an ordinary general meeting held at least twenty months before the expiration of the current charter.

§ 63. Ordinary shareholders who may not desire to continue as such under a renewal of the charter shall be entitled, on giving notice to the directors before the general meeting referred to in § 62, to withdraw from the

company on the expiration of the term of the then current charter, and to receive that share of the company's net assets which falls to them as shown by the duly audited accounts.

CHAPTER V.—*Of registration.*

§ 64. That registry, at which those particulars shall be recorded which are required by this law to be supplied for the purpose of registration, or the inscription of which in the register is or shall be otherwise required, shall be determined by the Crown.

§ 65. Application for the registration of a banking company shall be made by the directors, and shall contain a statement both of the full names and addresses of the members of the board of directors, and also of those who are authorized to affix the company's signature, and shall be accompanied by—

1. The royal approval of the articles of association in two attested copies.

2. A record showing that a board of directors has been elected.

3. A statement of the board of directors, duly signed by them, of the amount of the subscriptions to ordinary shares with a deduction for oversubscription should that have occurred, and of the amount actually paid up both of the ordinary capital, and also, in case shareholders *en commandite* have been admitted into the company, of the amount paid up by them on the fund which they have subscribed.

4. A list of the ordinary shareholders, with a statement of the number of shares held by each of them.

There shall also be attached to the application—

In case subscriptions have been invited to the capital fund, all the subscription lists in the original and an attested copy of each, with a record showing that the resolution in virtue of which the company has been formed has been passed with the required formalities, or

In case the founders have taken up the whole of the shares, the agreement made in this respect either in the original or in an attested copy.

§ 66. Not later than four months after the termination of the period fixed, in accordance with § 13, for the final payments on the ordinary shares, if a notification to the effect that the capital has been paid up in full have not previously been made, the board of directors shall furnish for registration a declaration signed by the members of the board of the extent to which the capital has been fully paid up.

§ 67. Any resolution authorizing an increase of capital by a new subscription shall, whether it involve any alteration of the articles of association or not, be reported for registration by the directors. Its registration may not be granted unless the registry have been notified that the capital previously issued has been fully paid up.

Not later than one month after the time fixed for the final payments on the new shares, the board of directors shall furnish for registration both a statement of the amount paid up on the new shares, which statement shall be signed by the members of the board, and a list of the proprietors of the new shares.

§ 68. When any record of a change in the ownership of any ordinary share has been entered in the book referred

to in § 22, a statement of that fact shall be furnished without delay by the directors for registration.

§ 69. In case shareholders *en commandite* have been admitted to the company before the filing of the application dealt with in § 65, immediately after the conclusion of the period fixed for the completion of payments on the shares *en commandite*, unless a notification that they have been fully paid up be previously furnished, a statement shall be furnished by the board of directors, which shall be signed by the members of the board, of the amount paid up on these shares.

§ 70. If, after the filing of the application dealt with in § 65, a resolution be passed for the admission of shareholders *en commandite*, this resolution, even if it do not involve any alteration of the articles of association, shall be reported for registration by the directors without delay.

Not later than one month after the termination of the period fixed for the completion of payments on the new shares a statement shall be furnished by the board of directors, which shall be signed by the members of the board, of the amount paid up on the new shares.

§ 71. Alterations in the articles of association shall be registered. The directors shall, without delay, file an application for registration, accompanied by two attested copies of the royal approval of the alterations in question.

§ 72. Changes in the membership of the board of directors, and of those empowered to sign on behalf of the company, shall be immediately notified by the directors for registration.

§ 73. A dissolution of the company, in accordance with § 53, shall be immediately notified for registration by the liquidators, with a statement of those who are empowered to conduct the liquidation and of those who are empowered to sign on behalf of the company. If any liquidator ceases to act, or a new one be appointed, or there be any change in those empowered to sign on behalf of the company, information in respect of such changes shall be immediately furnished for registration by the liquidators. When the liquidation is completed it shall be the duty of the liquidators to furnish a record of that fact for registration without delay.

§ 74. Records for registration shall be furnished in writing and be accompanied by the fees fixed for registration and for the public notice thereof. In case records be sent by a messenger or through the post the signatures to them shall be attested by witnesses.

When application is made for the registration of a banking company, each of those who are empowered to sign on behalf of the company shall at the same time write the official signature in the register or in a special supplement thereto, unless the signatures are affixed to the form of notification and duly attested by witnesses.

A similar procedure shall be followed when a notification is made that any person is authorized to sign on behalf of a company previously registered.

§ 75. Should registration be refused, anyone not content to accept this decision shall be entitled to appeal to the King not later than 12 o'clock on the sixtieth day from the date of the decision.

§ 76. In respect to banking companies, in addition to the preceding provisions of §§ 64–75, there shall apply the provisions regarding registration in §§ 24 and 68–75 in the law respecting joint stock companies.

CHAPTER VI.—*Of inspection.*

§ 77. Before a banking company commences business there shall be produced to the local representative of the Crown[a] proof—

That the registration of the company has been publicly advertised as required in § 71 of the law respecting joint-stock companies; that at least 20 per cent has been paid up on the ordinary capital, and that a contract has been entered into and a pledge of security, approved by the local representative of the Crown, has been provided for the payment of the remainder; and that each of the ordinary shareholders has furnished the company with such a declaration as is specified in § 19.

§ 78. It shall be notified by advertisement in the Official Gazette when a banking company begins its business and also when a banking company is dissolved for other reason than bankruptcy; information of these dates shall also be sent to the Department of Finance.

§ 79. The bank inspector appointed by the Crown shall be entitled to summon a meeting of the board of directors when he judges it to be necessary to do so. In like manner the bank inspector, on the authority of the head of the finance department, may summon a special general

[a] The rendering "district governor" may perhaps convey more clearly the position of the official designated here and previously as the "local representative of the Crown."

meeting of the company if the board of directors have failed to issue a summons for such a meeting at the request of the inspector. The bank inspector may attend the general meeting, and also the meeting of the board which he has summoned, and may take part in the discussions thereat.

§ 80. It shall be the duty of the board of directors:

At all times to place the accounts and records of the company at the disposal of the local representative of the Crown, of the officer appointed by him for making such inspection, of the bank inspector, and of any special investigators who may be appointed, if they deem it desirable, by the Crown or by the head of the finance department.

Immediately after the close of each month, in the presence of an officer appointed by the local representative of the Crown, and in accordance with a schedule determined by the finance department, to draw up a summary showing the assets and liabilities of the company, and a statement of the rates of interest on deposits and on loans and the discount rates of the company on the day to which the summary applies, and to forward this summary without delay to the finance department for publication by that department.

In general to supply to the head of the finance department, to the bank inspector, to the local representative of the Crown, and to the officer appointed by him, all the information regarding the company which they may demand; on the completion of the audit, to forward without delay to the finance department the report of the directors, the accounts and the auditors' report, and to cause the last-

named report to be inserted in the Official Gazette; and in case the head of the finance department finds reason for supposing that the company has incurred such losses that the reserve fund and 10 per cent of the ordinary capital is lost, on demand made by that official, to cause a balance sheet to be drawn up and to summon the auditors to examine the accounts.

§ 81. It shall be the duty of the officer mentioned in § 80 (as appointed by the local representative of the Crown) to communicate to the bank inspector all the information relating to the company which is secured by him.

§ 82. In that examination of the administration of the board of directors and of the accounts of the company of which § 46 treats, there shall also take part an auditor appointed by the local representative of the Crown.

§ 83. If the board of directors or the general meeting decide on a course of action which is in conflict with the law or with the regulations applicable to the company, the local representative of the Crown shall have power to forbid the carrying out of the resolution. He shall also, in case such a course of action has been entered upon as is here in question, have the right to require the directors to correct the improper procedure, and also have the right to carry out what the law and the company's articles of association require of the directors. Such a demand on his part may, however, not be made in cases in which the breaches of the law which are in question are punishable under the criminal code, and in questions relating to the management or bookkeeping of the company the

prohibition or demand, to which reference is here made, may not be issued by the local representative of the Crown except at the instance of the bank inspector.

In more serious cases of deviation from the provisions of the law or of the articles of association of the company, the King may declare the company's charter forfeited.

§ 84. If a breach of the provisions of § 10, paragraph 3, take place, the local representative of the Crown shall have power to require its cessation.

§ 85. When communicating any caution or prohibition under this law, the local representative of the Crown shall have power to determine the amount of the fine in respect thereof, and to impose the same.

§ 86. Appeal may be made to the King in respect of any decision of his local representative in matters arising out of this law, but the decision shall go into effect unless the King orders otherwise.

§ 87. If a banking company be dissolved for any reason other than is specified in § 59, the head of the finance department shall appoint an officer who shall attend the meetings of the liquidators, with the right to take part in their discussions and generally to watch the course of the liquidation.

§ 88. The banking company shall be required to remunerate the officers appointed in accordance with §§ 80 and 87, and the auditor mentioned in § 82. The authorities which appoint the said officers or auditor shall have the determination of the amount of such remuneration.

CHAPTER VII.—*Regulations in regard to penalties.*

§ 89. Whoever in a notification for registration shall knowingly make a false statement, shall be liable to a fine of not less than 50 nor more than 2,000 kronor, unless the offense be one for which punishment is provided in the criminal law.

The same shall hold in case a director knowingly causes false entries to be made in the book referred to in § 22.

§ 90. Anyone offending against the regulations laid down in § 13 (par. 2) or § 16 (par. 2) or any director failing to regard the notifications made under § 22, § 66, § 67 (par. 2), or §§ 68, 69, 70, 71, or 72, shall be liable to a fine of not less than 5 nor more than 500 kronor.

The same shall hold for a liquidator who does not fulfill the duties laid upon him by § 73.

§ 91. Fines and penalties which are exacted under this law shall be paid to the Crown. In case of inability to pay such fine or penalty in full, the substitutionary punishment shall be such as is fixed in the ordinary law.

CHAPTER VIII.—*Special regulations.*

§ 92. Should the directors, liquidators, or shareholders transgress the provisions of this law or of the articles of association, they shall be liable for all the injury resulting therefrom, each for all and all for each.

§ 93. The articles of association of a banking company shall specify—

1. The official title of the company.

2. The classes of business which may be undertaken by the bank.

3. The place in which the administrative offices shall be situated.

4. The amount of the ordinary capital or, in case the ordinary capital may, without alteration of the by-laws,

be fixed at a greater or less amount, the minimum capital and the maximum capital.

5. The amount of the face value of each share.

6. Whether shareholders *en commandite* may be admitted to the company, and if this be permitted the amount of the share in the profits to which such shareholders shall be entitled, and in general those regulations which are found desirable for such a case.

7. The number of directors, and of substitutes for them, the time of their election, and the powers intrusted to the board of directors.

8. Whether more than one ordinary general meeting shall be held yearly, the time and place for holding such meetings, and the nature of the business to be transacted at the ordinary meeting or, if more than one be held, at each of them.

9. The manner in which general meetings shall be summoned and other information communicated to the ordinary shareholders.

10. The regulations for voting at general meetings and for decisions of such meetings so far as they may differ from what is laid down in respect to these matters in §§ 37 and 38.

11. The number of auditors and of substitutes for them, the time of their election, and the time at which they shall audit the accounts.

§ 94. In questions not otherwise provided for by law, a banking company shall be within the jurisdiction of the lower courts in the place in which, in accordance with the by-laws, the administrative offices are situated.

§ 95. The relations of clients to a banking company may not be made public.

§ 96. [Contains a list of laws repealed by the present act.]

§ 97. This law shall be in force from January 1, 1904. Nevertheless the provisions of § 10 (par. 3) shall not apply to companies which have obtained the royal approval of their by-laws before this law shall be in force, and §§ 28 and 29 in the royal ordinance of June 21, 1874, respecting enskilda banks with the right of issuing their own bank notes and the second paragraph in the law of May 27, 1898, respecting enskilda banks which have resigned their rights of note issue, shall continue in force as regards each such bank until the liability of the bank in respect of outstanding notes shall cease.

Questions regarding rights and obligations arising before this law goes into force shall be decided in accordance with previous statutes.

The Crown shall issue the transitional regulations which may be found requisite in regard to the registration of banking companies whose by-laws have been approved before this law goes into force.

On application from any enskilda bank which has had the right of note issue the King will, unless the bank is in the hands of a receiver, issue a proclamation notifying everyone who may be in possession of any note of the bank, to present such note for redemption at the bank within two years from the date of the proclamation, or lose all right to payment thereof. At least four times in each of the years the proclamation shall be read in the churches of the Kingdom and inserted in the Official Gazette.

NOTE.—The law of the same date respecting banks with limited liability follows closely the terms of the above law, except in regard to those matters in which the differences in the extent of the liability of shareholders requires differences in the terms of the statutes.

APPENDIX IV.

FORM OF MONTHLY RETURN REQUIRED FROM BANKS.

Summary of the ..... Banking Company's status on the .....

ASSETS.		LIABILITIES.	
Real estate		Outstanding circulation (this item no longer needed)	
Furniture and fittings		Outstanding bank post bills	
Cash:		Deposits on savings accounts	
(*a*) Lawful gold coin of Sweden		Number of accounts	
(*b*) Other gold coin and gold bullion		Balances of current accounts [a]	
(*c*) Other coin, notes of the Riksbank and deposits at the Riksbank		Number of accounts	
Due from other banks in Sweden		Time and notice deposits	
Due from foreign banks and bankers		Number of accounts	
Sight drafts and short-dated bills and foreign bank notes		Loans	
Interest-bearing securities		Due to other banks in Sweden:	
Shares		On deposit accounts	
Bills discounted and purchased:		On other accounts	
Inland bills, No. ....., value		Due to foreign banks and bankers:	
Foreign bills, No. ....., value		Deposits	
Outstanding loans:		Loans	
Secured on real estate, No. ....., value		Other liabilities	
Secured on bonds, No. ....., value		Ordinary capital	
Secured on shares, No. ....., value		Number of shareholders [b]	
Secured on merchandise or material security not specified above, No. ....., value		*En commandite* fund [b]	
Secured on notes with personal security only, No. ....., value		Reserve fund	
Secured on guaranties, No. ....., value		Available surplus (including special funds or suspense accounts)	
Outstanding on credits opened			
Credit granted			
Number of accounts			
Outstanding on overdrafts			
Credit granted			
Number of accounts			
Other assets			
Overdue debts on which proceedings have been taken			
Due by bankrupts or firms in liquidation			
Total		Total	

[a] Two varieties of such accounts are separately specified, one generally bearing interest, the other not.
[b] These details are not required to be stated by limited liability banks.

The following is appended to the monthly account:

I hereby declare that the cash in hand of the_____Bank at the close of business on_____was verified by me and found both as a whole and as to the different items specified to be in agreement with this summary, and that the other statements therein are in agreement with the bank's accounts, having examined and investigated the same.

_____

(This certificate is signed by the official appointed as required in §80.)

Rates of interest paid:

On savings accounts	
On current accounts	
On deposits at—	
One month's notice	
Two months' notice	
Three months' notice	
Four months' notice	
Six months' notice	

Rates of interest charged:

On loans secured on—	
Real estate	
Other collateral or on guaranties	
On open credits—	
Interest	
Commission	
On discounted bills—	
Of not exceeding three months' currency	
Of longer currencies	

(The rates are to be those in force on the last business day of the month.)

NOTE.—The monthly summary should be forwarded to the department of finance as soon as possible, and it is desirable that it should be despatched early enough to be received by the 6th of the month next following that to which it refers.

In the preparation of the summary it is of special importance that no variation be made from the prescribed form. The items should be specified in the order therein set forth, and if any of the headings do not apply to a bank, they should not be deleted, but inserted with a space for the amount left blank.

FORM FOR THE ANNUAL SUMMARY OF BANK ACCOUNTS.

Statement of the_____Banking Company's position at the close of the year_____, after the disposition of the profits for the year.

	Kronor.	Öre.	Kronor.	Öre.
The capital of the bank on January 1, 19____:				
Ordinary capital				
En commandite fund[a]				
Reserve fund				
Available surplus (including special funds or suspense accounts)				
Gross profits				
Applied from capital resources in the course of the year				
Management expenses				
Management expenses as a percentage of gross profits				
Management expenses as a percentage of ordinary capital and *en commandite* fund				
Written off				
Net profits				
Net profits as a percentage of the capital on January 1, 19____				
Applied by the bank to—				
Reserve fund				
Surplus				
Dividends—				
On ordinary capital				
On en commandite fund				
Percentage dividend on ordinary capital				
Increase of funds by issue of new shares				
The capital of the bank on December 31, 19____				

Overdue debts in respect of which legal proceedings have been taken:

Number		
Amount		

[a] This item is not applicable in the case of limited-liability banks.

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